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# THESIS TITLE

# Heritage as dynamic capability: organizational analysis of two Maison in Champagne sector

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# two Maison in Champagne sector

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# Introduction

In literature, much has been written about the two founding constructs of this research: heritage and digital transformation. But, very few articles have related these two constructs, above all no research has been done on how heritage, if activated, can itself become a dynamic capability that helps companies face the challenge of digital transformation.

The legacy of the brand is a facet of brand identity: the importance that the brand is today thanks to its historicity.

In addition, this research focused on the Champagne sector, a traditional, élite and very conservative market. A context in which heritage plays a fundamental role in distinguishing itself from other competitors.

What is fundamental to note is that many companies are aware of the historicity within themselves but, taking it a little for granted, they cannot make fun of this.

The thesis has been structured so as to follow a logical path, the first more theoretical chapters try to recreate the literary context of the constructs, up to where the research on these two constructs has come and in which fields they have been investigated, to then arrive at a more methodological chapter and finally the chapter on the two business cases analyzed.

The first chapter, therefore, is aimed at giving a broad perspective on what is meant by brand heritage, what are the major researchers who have studied this construct, where is research today. What are its antecedents and outcomes. In addition, I am going to investigate what the fundamental aspects of the heritage are. Specifically, Corporate Heritage will be analyzed, a fundamental trait for this research. The first chapter will end with a paragraph on the role of the brand in innovation processes. This, to introduce the second chapter on the organizational impacts of digital transformation. After a brief literary review on this construct, on which so much has been written in all sectors, we will investigate the drivers of digital transformation, what is meant by digital capabilities, now at the center of many discussions. To then focus on the impact that digital transformation has on its business processes, the role of big data and analytics. To

conclude with the new forms of organizational structures that become necessary with the advent of social media and an ever stronger role of e-commerce.

The third chapter is certainly the most theoretical, oriented to build the theoretical framework of this research. In this chapter we will go on to make a literature review of the dynamic capabilities and the Resource Based View, but also the criticisms raised against these two lines of research. The chapter will conclude with a paragraph on the relationship between dynamic capability and organizational performance, and between dynamic capability and innovation. The fourth chapter focuses on the methodology used and research design. The steps that guided this research will be listed and will be exploded to explain in detail how we proceeded. The fifth chapter will be completely focused on the two case studies. First, a small excursus on the history of champagne will be made, and why this elixir has become so important and sought after in the world. An analysis of the champagne sector will also be done in order to create the context. To then rebuild the background and challenges that these two companies must face today in order to remain competitive.

Finally, the last chapter aims to conclude this research with the final results, the managerial implications and guide for future research.

# Chapter One: how brand heritage impacts on organization and their relationship with the market

A brand with heritage tends to be preferred by consumers as it is perceived as credible and reliable. As something that has lasted until now and therefore flawless. Authenticity, however, must not be synonymous with "no change".

Regarding consumers to whom heritage is meaningful, the heritage of a brand can result in an intensified brand loyalty and the willingness to accept higher prices (Urde et al., 2007). A brand with a heritage creates and confirms expectations about future behavior to stakeholder groups, and makes a promise that the brand will continue to deliver on these commitments (Aaker, 2004). In both marketing research and practice, the study of brands with a heritage as part of their corporate brand identity has gained growing interest (Brown et al., 2003b; Liebrenz-Himes et al., 2007).

Brand heritage, and therefore the time dimension (past, present, and future) in corporate brands, branding and images, has become an emerging research territory in the marketing literature (Balmer and Burghausen, 2014a; Hudson, 2011; Rindell, 2015). Urde et al. (2007) suggest that corporate brands with a value proposal based on their heritage could be regarded as a distinct corporate heritage brand category with its own set of criteria and specific management approaches.

The idea of associating brands with a historical dimension dates back to about 40 years ago, the idea was that a historical approach could provide the brand with an image for consumers and the reference market, which can also be used for promoting and advertising. Historical marketing has been studied extensively in tourism, especially for "heritage sites" in Europe and elsewhere (Poria et al., 2003; Richards, 1996; Yeoman et al., 2005). Scholars have explored the retrospective, or "retro"–branding phenomenon, in which the heritage of older brands is exploited for new marketing advantage, or new products are positioned based on some nostalgic association (Brown, 2001; Brown et al., 2003). There is significant literature discussing the idea of nostalgia as a yearning or preference for the past (Davis, 1979; Goulding, 2001; Havlena and Holak, 1991; Holbrook, 1993). The use of historical and nostalgic references in advertising has also received attention (Muehling and Sprott, 2004; Pascal et al., 2002; Stern, 1992). However,

the corporate brand heritage literature has mainly been developed from a managerial point of view recognizing its possible effect (Balmer et al., 2015; Burghausen and Balmer, 2014a; 2014b), since "consumers seem to be searching for authentic brands with genuine history in an increasingly global and dynamic marketplace" (Wiedman et al, 2011a: 90). Researchers has focused on concepts such as history marketing, retro brands and nostalgic brands and how they relate to one another and to the past, present and future: Balmer (2011), who focuses on the concepts nature and importance; Rindell (2013), who focuses on the organizational, group and individual perspectives; Wiedmann et al. (2011a), who focuses on the time dimension in the concepts. Another direction, taken from research on heritage, is focused on the link between corporate assets and how consumers perceive the organization in relation to the role that the past plays in the current image (Rindell et al., 2015). Wiedmann et al. (2011a) focused their research on consumer behavior that is connected to the corporate heritage and found that consumers' brand image is affected by a company's brand heritage. Rindell et al. (2015) added have researched the linking between consumer's corporate image heritage to the corporate brand heritage by studying members of Piaggio and Vespa communities, as well as analyzing the corporation's brand heritage. The authors found that company management should identify the traits their consumers value in the brand heritage, and use this information to balance the brand heritage from the corporate perspective with the consumer perspective.

In the first part of this chapter the scientific evolution of the brand heritage construct and its operationalization will be described. The antecedents of the brand heritage will be defined, as they have evolved over time and the major authors who have done research in this field.

Then the corporate brand heritage will be illustrated as constituent elements of the brand heritage.

The second part deals with the relationship between brand heritage and the market, the perception and feelings that heritage arouses in consumers.

Finally, the added value that the brand heritage brings will be addressed and how this construct contributes to creating innovation for companies.

## 1.1. Heritage construct evolution

Research about "heritage brands" or "brands with heritage" have received considerable attention over the years (Urde et al.. 2007; Wuestefeld et al., 2012; Balmer and Burghausen, 2015). The construct of heritage brand is first referred to the Swedish monarchy (Balmer et al., 2003) analyzed through a corporate branding lens underling that monarchy can be investigated as corporate brand and managed similarly to brand with heritage. It follows an extended concept development thanks to Urde et al. (2007).

The construct of brand heritage builds on prior scholarship in brand equity (Aaker, 2004), brand management (Keller, 2008), corporate identity (Balmer, 1998), retrospective marketing (Brown, Kozinets and Sherry, 2003), nostalgia (Holbrook and Schindler, 2006), and authenticity (Grayson and Martinec, 2004). It also relates to prior research about heritage as a cultural phenomenon (Lowenthal, 1998a), heritage effects in tourism (Timothy and Boyd, 2003), and heritage effects for monarchies (Balmer, Greyser and Urde, 2006).

Literature suggests that heritage is an important driver of brand value and equity (Wuestefeld et al., 2012). This could be explained in part by the fact that heritage is a sense of credibility and authenticity of the brand as perceived by consumers.

In addition, companies have started to pay more attention to their history and heritage to increase awareness and knowledge of the brand both toward internal and external stakeholders, aiming to obtain competitive advantages. Heritage brands are long-standing brands characterized by the enduring core values and legacies that create timeless relationships with stakeholders (Balmer, Greyser and Urde, 2006; Urde, Greyser and Balmer, 2007; Balmer and Chen, 2017).

Both firms and scholars began talking about heritage marketing to define strategies aimed at enhancing value and communicating corporate heritage or brand heritage (Urde et al., 2007; Balmer, 2011). Heritage marketing is based on the belief that products and services have value not only for the capacity to satisfying needs, but also for symbolic meanings that such products and services can generate and communicate (Urde et al., 2007). Heritage marketing helps to associate meanings and values to products and services, by using the heritage of enterprises as a strategic resource (Urde et al., 2007). Aaker (2004) highlights how every enterprise may benefit from showing brand roots to stress its identity and strengths. Particularly, brand heritage allows companies to communicate their identity and to spread stable values and meanings in a period of uncertainty as

nowadays (Balmer, 2011).

Urde, Greyser and Balmer (2007) define the heritage of the brand as:

 "*A dimension of the identity of a brand that is in its precedents, longevity, fundamental values, use of symbols and in particular in an organizational conviction that its history is important".*

The heritage concept is suited to brands because heritage is a dynamic and contextual representation and brands very frequently appear and disappear (Pecot and De Barnier, 2017).

After a definition of the key concept of brand heritage, it is useful to distinguish heritage brands from other kinds of branding, such as retro brands, nostalgic brands, or iconic brands.

There are considerable overlaps among brand heritage and related constructs; however, there are significant differences to mention. Nostalgic branding refers to the use of products as materializations of memories linked to a utopian past that never really existed. A related concept that seems to be gaining popularity in these economically challenging times is "retro". Whereas brand heritage is deeply rooted in the company's or product's history, and cannot be copied, "retro" is a marketing and advertising tactic that any company can apply: reviving old products or brand slogans, incorporating images of days gone by, rehashing and re-contextualizing old ads and old cultural representations, and evoking any kind of nostalgia associated with the past. It is even used when a company wants to position a new brand based on consumers' pre-existing emotional touch points (Brown et al., 2003).

Finally, iconic branding becomes manifest at present and lives on the power of symbols and myths constituted in the present and spread by social subgroup (Wiedmann et al., 2011a).

After this distinction between heritage and similar constructs, below in Figure 1 the antecedents and outcomes of brand heritage.
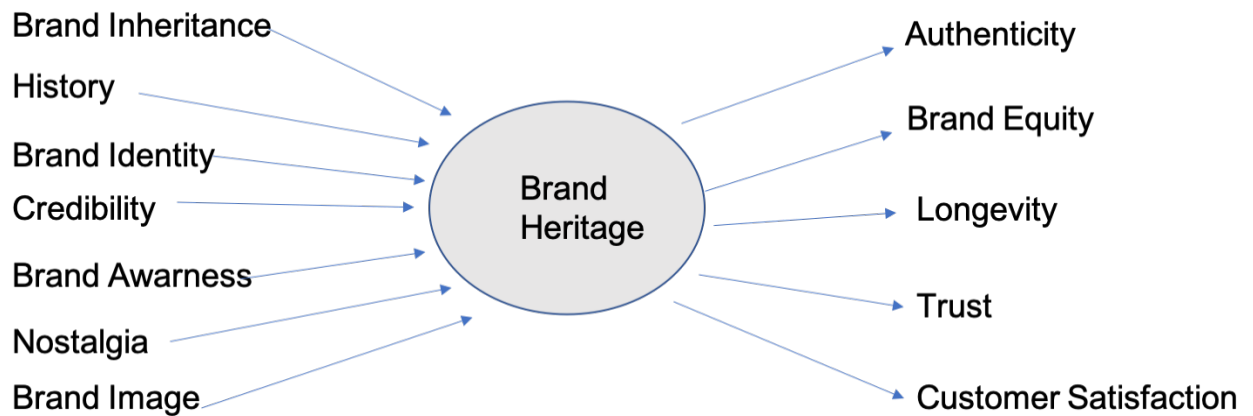
Figure 1: Antecedents and Outcome of the brand heritage

Heritage is not confined only to the past in terms of tradition, instead, it includes the traits carried through time by the brand.

### 1.1.1. Brand heritage antecedents

This construct is generally associated with inheritance: something transferred from one generation to the next. As a concept, therefore, it works as a carrier of historical values from the past (Nuryanti, 1996). Brand inheritance is defined as a static set of assets that brand managers have received from their predecessors. These assets include not only material elements such as buildings, physical objects, archives, and old advertisements but also nonmaterial elements such as workers' know-how or the figure of a founder. These elements are not necessarily perceived as positive and do not involve the processes of acceptance and transmission attached to the concept of heritage (Leniaud, 1992).

Brand heritage intended as coherence with the new founding values of the organization. All this is perceived as superior quality, which will lead to greater customers trust and loyalty. Having a long history, a strong and solid past will therefore help the company's reputation. Therefore, the history of many years provides a solid basis for trust-building interactions between the company and its stakeholders, and thus its corporate reputation. However, it has been argued that heritage is not the same as history, given that history explores and explains the past while, heritage emphasizes the past recognizing it as important for current and future purposes and performance. It is therefore claimed that all brands have a history, but only a few have a heritage. A heritage brand emphasizes history as an essential component of its true identity and clearly bases its value proposition on its

heritage (Urde et al., 2007).

A first reflection on the management of the heritage brand comes from Balmer, Greyser, and Urde (2006), according to whom top management should manage the brand heritage in the awareness of his trans-temporal nature, of the need to avoid impoverishing its symbols and maintaining its important emotional bases and current values. A few years later, Balmer (2011) adds that managing a heritage brand means focalizing on the preservation and symbolism of the heritage, on the formation of a significant public profile, on the anticipation of change, on the rapid response to crises, on maintaining public favor and the creation of empathy.

Aaker (1996a) adopted the term "brand heritage" to describe part of the process of brand identity formation and, more specifically, of the company's strategic brand analysis and what he described as "self-analysis". Though recommending that a company considered and analyzed its heritage, history and reputation, he did not define the concept or elaborate on it. Since then, his concept of a brand heritage has attracted research interest.

From the study on the Swedish monarchies of Balmer et al. (2003) it was possible to identified four brand heritage identity management activities, namely, validating heritage, articulating heritage, relating heritage, and adopting to heritage. Additionally, the study revealed four implementation activities, namely, narrating, visualizing, performing, and embodying corporate identity heritage.

- ✓ *Narrating*: tell the identity of the corporate assets, trying to connect past, present and future. Here we can find company magazines, websites, annual reports, etc. Especially in recent years, the storytelling technique has become a widely used methodology, as it is considered efficient and effective. Telling the story of a company, its values, its traditions will have a greater media impact as it will also touch the emotional sphere of consumers.

- ✓ *Visualizing:* Alongside more textual and narrative elements, use visual elements to connect past, present and future. E.g. through photo, videos, and so on. In this case it is possible to play by matching old and new images. Or reinterpret some historical elements, in a modern key. The use of these visual elements makes the link between past, present, and future more explicit constituting a related yet distinct mode of corporate heritage implementation.

✓ *Performing*: to get to the final step, that is to implement corporate heritage through traditions, rituals and customs. These can be used strategically for marketing advertising campaigns. It is a matter of putting into practice, that it is present only "on a theoretical level".

Burghausen and Balmer (2015) argue that there is a substantial difference between companies that have corporate assets and have an identity of corporate assets. The company that owns this identity must make sure to integrate it into its strategy. As highlighted by many authors (Balmer and Burghausen, 2015b; Balmer and Chen, 2015), companies often have multiple identities that have evolved over time thanks to activities and experiences that have characterized the organization's path. Identity is therefore constantly evolving. Balmer and Chen (2015) split the corporate identity into corporate purposes, activities, competencies, cultures, philosophies and strategies. Many of these qualities (corporate purposes, competencies, philosophies and strategies) are built deliberately by the company itself, and thereby the declaration by Balmer and Chen (2015) imply that the corporate identity is consciously manageable to a certain point by the company itself. It is however of importance to also recall to include the stakeholder view of a corporate identity that is built upon for example the consumer image heritage (Rindell, 2013) since this will allow the company to offer their customer something according to the consumers' needs and expectations. It is difficult to shape an identity of a luxury brand if the customers relate the company complete an image heritage to a bargain store as Rindell (2013) found when studying image heritage of a non-food retailer in Finland. Thus, the multiple role identities presented by Balmer (2013) are central to take in consideration when defining a company's heritage identity.

The main advantages of brand heritage are as a matter of fact to add stability, familiarity, sincerity and differentiation (Merchant and Rose, 2013) in order to bring authenticity (Fionda and Moore, 2009; Kapferer and Bastien, 2009), and to reduce purchasing risk. The literature attributes this mission to a brand stewardship function characterized by three managerial attitudes. The first is awareness of the position of the brand in time and space. The second is awareness that the brand has a heritage that needs to be transmitted. The third is the manager's awareness of his managerial role and especially of his obligations toward the brand (Burghausen and Balmer, 2015).

Brand awareness refers to the degree of name recognition, regardless of product class but based on perceptual frequency (Hellofs and Jacobson, 1999). Brand awareness is also

likely to contribute to consumer perceptions of price fairness. When the consumer is aware and confident of the brand, then he will be willing to pay a higher price to obtain it. On the other hand, an unknown brand, not guaranteed the consumer to pay surcharge to get it. Furthermore, based on their impressions with brand popularity and brand class, consumers form corresponding perceptions of quality that, in turn, influence perceptions of price fairness. Brand awareness, therefore, not only improves consumer perceptions of price fairness directly, but it also exerts its influence on price fairness through quality perceptions.

Heritage construction is also subject to the prevailing attitude toward time in society and within the company (Miller, 2014). At the macro level, the attitude of a society toward the past influences managers' decisions: Holak (2014) thus reveals the influence of collective nostalgia on the representation of the past by brands in Russia. At the micro level, a brand positioned in an innovative market such as Apple (Brown, 2013) does not draw on its heritage with the same intensity as a brand in a traditional market like Chanel (Ardelet et al., 2015).

Brand image is defined "*as perception about a brand as reflected by the brand associations held in consumer memory*" (Keller 1993, p. 3); it is one of the key impact factors of brand management and determines brand awareness.

Heritage helps to make a brand more authentic, credible, and trustworthy, and can provide leverage for that brand (Wiedmann et al., 2011). Heritage studies that adopt a genuine consumer perspective focus on consumers' image heritage (Rindell, 2013), because consumers, customers, and other stakeholder groups' relevant past experiences (i.e., 'image heritage') strongly influence current brand image construction processes (Braun-La Tour et al., 2007; Rindell, 2013; Wiedmann et al., 2011a). Rindell (2007) develops the concept of image heritage in a corporate-level marketing context based on a study of a retailer corporate brand. She defines image heritage as "the consumer's earlier company-related experiences, combined with representations of the company, received from multiple sources over time, applied to the interpretation of present experiences into present images" (Rindell, 2013:205).

Explicit studies or models that encompass brand image heritage are however in short supply (Rindell, 2007; Rindell, 2013) but several studies address product brand heritage (e.g., Braun-La Tour et al., 2007; Roberts & Dowling, 2002) noting that the past influences consumers' present product images. For example, Wiedmann et al. (2011b) investigate how brand heritage influences consumer attitudes and behaviors related to a

given automotive brand. Their study shows that product brand heritage is an important driver of both brand image and consumer behavior, and that consumers tend to trust a heritage brand more and perceive lower risk with it (Wiedmann et al., 2011b: 215), and that "consumers seem to be searching for authentic brands with genuine history in an increasingly global and dynamic marketplace" (Wiedmann et al., 2011a: 90).

The brand heritage construct can add consumer-perceived value and can minimize consumers' buying risk. Therefore, that brands that are infused with heritage have a positive influence on the perception of the brand in general (e.g., brand image or brand trust) and to the consumer behavior (e.g., loyalty or willingness to pay).

## 1.1.2. Brand heritage outcomes

The brand's heritage recalls the origins of the brand and includes the evolution of the values, symbols and meanings associated with the brand thus providing authenticity and differentiation (Aaker, 2004; Urde et al., 2007; Merchant and Rose, 2013).

Another outcome of the brand heritage is brand equity. Brand heritage may be considered a variation of the larger concept of brand equity.

Brand equity is: *"a set of assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firmʹs customers"* (Aaker, 1991*)*.

Therefore, the four remaining dimensions of Aaker's consumer-based brand equity model is considered and will aid the evaluation and discussion of consumers' perception of the value of brand heritage (Aaker, 1991).

Additionally, Keller (1993) argues that consumers' behavior towards a brand depends on two distinct but related factors: brand awareness and brand image. Obviously brands with a strong and positive image will positively influence the equity of the brand (Keller, 1993).

Brand equity is a key marketing asset (Ambler, 2003; Davis, 2000), which can engender a unique and welcomed relationship differentiating the bonds between the firm and its stakeholders (Capron and Hulland, 1999) and nurturing long term buying behavior. Understanding the dimensions of brand equity, then investing to grow this intangible asset raises competitive barriers and drives brand wealth (Yoo, Donthu and Lee, 2000). For firms, growing brand equity is a key objective achieved through gaining more favorable associations and feelings amongst target consumers (Falkenberg, 1996). Previous

research established a positive effect of brand equity on: consumer preference and purchase intention (Cobb-Walgren, Ruble and Donthu, 1995); market share (Agarwal and Rao, 1996); consumer perceptions of product quality (Dodds, Monroe and Grewal, 1991); shareholder value (Kerin and Sethuraman, 1998); consumer evaluations of brand extensions (Aaker and Keller, 1990). Over the last 15 years, brand equity has become more important as the key to understanding the objectives, the mechanisms, and net impact of the holistic impact of marketing (Reynolds and Phillips, 2005).

Researchers have argued persuasively that the value of brands can be identified, and that distinct strategies should be employed to preserve and expand that value (Aaker, 1996a; Aaker, 2004; Keller, 1993; Keller and Lehmann, 2006).

Heritage has value for both customers and other stakeholders, this is what distinguishes the brand and is difficult for competitors to imitate.

Heritage helps to make a brand more authentic, credible and trustworthy and can provide leverage for that brand. Additionally, a brand with a heritage creates and confirms expectations about future behavior to stakeholder groups and makes a promise that the brand will continue to deliver on these commitments (Aaker 1996). For this reason, the brand heritage construct can add consumer perceived value and can minimize consumers' buying risk (Muehling and Sprott, 2004). This additional value can be an important driver for the construct buying intention, which has been analyzed in different empirical studies (del Rio et al., 2001; Faircloth et al., 2001).

The heritage brand communication is defined as everything a company says, does and communicates in terms of heritage brand, simultaneously coordinating the atemporal aspect of the historic heritage of the brand and its importance for the future generations of stakeholders (Balmer, 2013). Bran communication, as already stated above, is an aspect that should not be underestimated, as it is a visit ticket to stakeholders. Communication can be a differentiator in terms of positioning.

Levi example illustrates, while luxury brands emphasis their actual or created heritage, it is not only luxury brand managers that seek to exploit their brand's heritage by locating the brand in time and space. Fine wines do not have a monopoly of place and time. Beer cans or bottles, the litter of barbeques and watching sport with friends, compete, perhaps idly, for recognition of pedigree. Carlsberg, "by appointment to the Royal Danish Court", boasts it has been "brewed since 1847" and has "preserved its fine Danish heritage". There are echoes here of Lanson "depuis 1760", "Reims France" or Bollinger "Maison fondée en 1829 Ay France".

The valorization of the past explains how the past is selectively invested with value in the present and with an assumed worth for the future (Burghausen and Balmer, 2014a). To conclude the excursion on the brand heritage, below a table that shows the significance of the heritage assets from the sociological, national/cultural, institutional and corporate point of view, of the interested parties and of the post-modern perspectives.

| The sociological significance of heritage | |
|---|---|
| Clarifies the past and make the past relevant for contemporary contexts and purpose | Lowenthal (1998) |
| Offers continuity and this is especially valuable in terms of uncertainty | Rapport (2002) |
| Is valuable in contemporary times and in a shifting world-a world where change is often dramatic | Hewison (1985); Wright (1985) |
| Older generations, for instance, have a propensity to seek out – and derive comfort from- those heritage institutions with which they were associated in their youth heritage symbols are like cosmetics which when applied make the world more attractive and desirable | Holbrook and Schindler (2003) <br><br> Hayden (1987) |
| The impulse to preserve the past is to preserve the self and, to me, the notion of holding on and going forward with the past is a key characteristic of the heritage doctrine | Sarup (1996) |
| The national/cultural significance of heritage | |
| Heritage is important in communicating and embodying national identity | Gellner (1983); Smith (1986, 1991, 1994); Nairn (1997); Kumar (2003) |
| Reminds citizens of the symbolic roots from which a sense of national belonging is grounded | Park (2010) |
| Makes up for the (national) deficit, loss, or, indeed, trauma caused by the past | Rapport (2002) |
| Of heightened importance and meaning during periods of (national) change and uncertainty | Hewison (1987) |
| The institutional and corporate marketing significance of heritage | |
| Corporate heritage brands are stable reference points in a changing world can harness positive public emotions; and are linked to the past present and prospective future too | Balmer et al, (2006) |

| | |
|---|---|
| Imbue corporate brands with a distinctiveness and attractiveness which may be rare and, in many cases unique and the above can be attractive and meaningful for consumers | Urde et al., (2007)<br><br>Balmer (2011a, b, c) |
| Customers value heritage | Wiedmann et al. (2011a, b) |
| **Stakeholder significance of heritage** | |
| Different stakeholder groups' sense of identification with heritage and their interpretation of a heritage are variable. In part, these, views are shaped by the ways in which heritage is presented to stakeholders. | Apostolakis (2003) |
| **Postmodern significance of heritage** | |
| The postmodern perspective allows heritage can be understood and defined in a multifarious number of ways. As such, it allows an individual to define heritage in any way it deems to be fit | Fowler (1989); Walton (2009); Weaver (2013). |

Table 1: Delineating the significance of heritage: sociological, and national/national cultural, institutional and corporate marketing, stakeholder and postmodern perspectives (Balmer, 2013).


## 1.2. Key elements of heritage

Referring to the heritage construct and the elements that compose it, it is important to consider 5 elements that compose it and that help to understand when and in which percentage heritage is present (Figure 2).
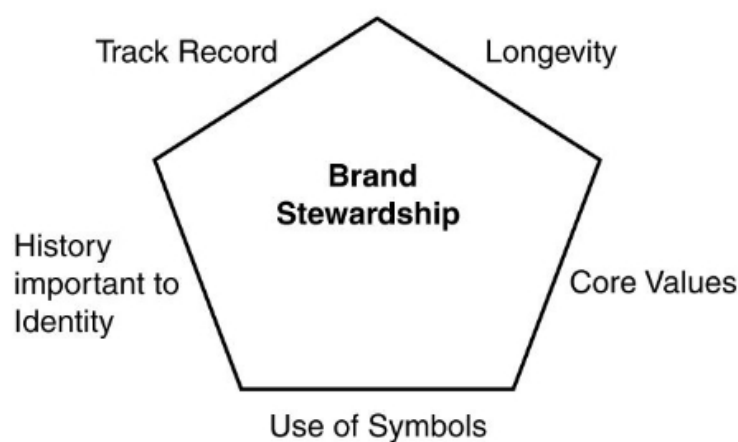


Figure 2: Heritage Quotient Framework – Elements of heritage (Adapted from Urde et al., 2007).

- ✓ *Track record* is related to the established performance that the brand or the company has related to, such as certain values and promises over time (e.g. Volvo is continuously synonymous with safety) (Urde, 1997). Track record indicates whether a brand has been able over the years to adopt effective communication strategies and to transmit its value to consumers. Furthermore, it indicated whether a brand has managed to keep its promises over time, creating a sense of trust and credibility in its consumers. Elements such as awareness, perceived quality and loyalty are all linked to the equity of a brand. The track record is a sort of verbal contract between the brand and its consumers. The perception that consumers have towards the brand is their expectations and is based on the brand's behavior and its performance. It is the relationship between the brand's promises and the expectations that consumers have regarding the company's ability to maintain its performance unchanged over time (Urde, 2009).

- ✓ The second element of brand heritage, *longevity* is of special importance for large multi-generational family-owned companies and reflects other brand heritage elements, including sustainability and consistency (Urde et al., 2007, p. 9). This dimension is reflected, for example, through the occurrence of the word "Since ..." in the logo; through the celebration of traditional ceremonies (Burghausen and Balmer, 2014); and using symbols connoting age, such as heraldry (Urde et al., 2007). Longevity is not considered sufficient element to decide if a brand canbe considered historical. However, it plays an important role, together with the other components, in particular for family businesses, those that have been managed by heirs for several generations (as in the case of the two case studies that will be presented in the following chapters (Urde et al., 2007).

- ✓ *Core values* encompass the basic values the brand is associated with. Like a promise or covenant in external communication, these values underline and help to define corporate strategy and are an integral part of the brand identity (Urde, 1997; Kapferer, 2004). The main values are those that make up the brand, which create the foundations from which to start outlining strategies and thus guiding the performance of a brand. The value that is perceived by the customer derives from these values, which must be managed and communicated correctly to the outside. These values characterize the brand identity. In fact, a brand will be considered reliable when it tries to safeguard its founding values. If a brand in

addition to doing this, ensures consistency in communication, the founding values could become over tie, a natural part of the brand.

✓ The *use of symbols* is related to logos or design and illustrates the brand's core meaning, e.g. the Mercedes star or the leaper of Jaguar (Urde et al., 2007:10).

✓ The fifth component is *history important to identity*. Companies should sense their own history as being crucially important to their identity. It is essential that they know who and what they are. This understanding should also be a key part of communication, advertising and the marketing mix (Brown et al., 2003a). History is considered an important factor for the brand identity, which should influence the way the brand works today. These brands are modeled from their past as much as they shape it (Urde et al., 2007; Balmer and Burghausen, 2015).

Consumers demand greater relationships with, and more say in, the knowledge they have with the brand. However, in emerging these new relationships the literature suggests a note of attention. As Kapferer and Bastien (2009: 317) states "*There are two ways to go bankrupt: not listening to the client, and also listening to him too much*". The pressure remains for the heritage brand dealer to understand the difficulties and advantages that the new models offer, while preserving a distance, a credibility or an authenticity that still creates lucrative and successful marketing strategies.

However, according to Lowenthal (2015), there are eight reasons why people want to know about the past: to make the present more familiar, to facilitate decision making, to communicate with their ancestors, to legitimize their intentions, to assert their identity, to appropriate heritage, to transcend the present, and to escape the present.

Bessière (1998) goes as far as to describe heritage as a ceremonious code and as a unifying sign that be a common setting in a detailed area. It is however vital to remember that these "rituals" are often more or less unconscious. Heritage is created through the intercommunion of tradition and modernity, which constantly compete against each other. Bessière (1998) has created a figure that shows the interplay of heritage and the co-action of traditions and the present.
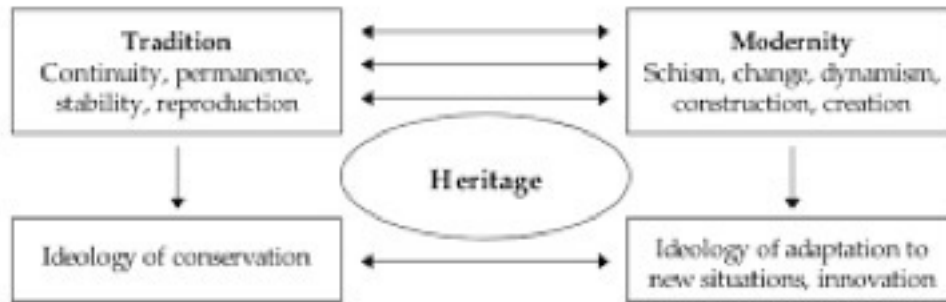
Figure 3: The interplay between tradition and modernity in the construction of heritage (Bassière, 1998).

As can be seen in Figure 3, heritage has a robust interplay between the need to reserve the past and to esteem stability and continuity that traditions bring, and on the other side to keep up with the continuously changing modern world where flexibility is a strength for the company. When a business succeeds in balancing these two aspects, the company can start constructing the heritage identity. There are, still, other aspects to heritage than the basic model created by Bessière (1998) where only habits and modernity interplay. Heritage is built by different mechanisms depending on each individual company, and the future chapters aim at presenting the different component heritage can be built upon. While, this figure is created based on cultural studies, it can also be implemented within companies.

While the literature points out that brands drawing on their heritage have often been in existence for at least a generation of consumers (Hudson, 2011), this dimension cannot be taken as a measure of their real age. Indeed, many older brands make no mention of their age in their discourse (Urde et al., 2007), while other younger brands construct it from scratch.

Brand heritage is not a concept of the past, but rather is a link between the past, the present, and the future, emphasizing a sense of stability (Burghausen and Balmer, 2014; Urde et al., 2007).

## 1.3. Corporate heritage

Research concerning corporate heritage has been conducted by many researchers within the heritage literature (Balmer et al., 2008; Balmer et al., 2011a; Balmer et al., 2011b; Balmer et al., 2013; Urde et al., 2007; Hudson, 2011; Blombäck and Brunninge, 2013; Burghausen and Balmer, 2014). Balmer et al. (2006) were the first ones to introduce the concept of corporate heritage by studying the British monarchy and noticing how the monarchy's past affect the present as well as the future image.

Albeit their study focused on monarchies, conclusions for corporate brands with heritage were derived, for example, as "*heritage institutions serve as stable reference points in a changing world*" and they help to define places and people themselves by connecting past, present and future (Balmer et al., 2006). Rindell et al. (2015) have established the research concerning corporate heritage further by including the consumers' point of view to their study. Their research is based on both the corporate heritage findings of Balmer et al. (2006), Balmer et al. (2013) and Rindell (2007) who at the same time presented the concept of image heritage. Rindell et al. (2015) study point out the standing of the business's various stakeholders view of the heritage element, especially the consumer's assessment.

Burghausen and Balmer (2015) refer to Balmer (2011b) and conclude that the concept of corporate heritage refers to particular traits of an organization that link past, present, and future, being still relevant for contemporary concerns and perceived as worth to be maintained, nurtured, and passed on to future generations. Urde et al. (2007) define the concept of corporate heritage as the company brand's past that still today affects the company image and defines the brand in the same way it has defined the brand in the past.

Urde et al. (2007) draw on Lowenthal (1998a) to distinguish heritage from history by emphasizing the active reflection of history as a means to define and understand not only the past but also the present and future of an organization and its brands. Heritage, thus, implies that a sense of continuity is conjured up. In marketing this shows when history becomes a key component of brand identity and positioning, serving as a source of competitive advantage (Hudson, 2011). Heritage, thus, implies that history becomes an important instrument in the communication with internal and external audiences. This requires that a strategic choice is made once brand heritage is identified to use the heritage to develop current brand promises and positioning. Brands that pursue this route can be

defined as being heritage brands, employing heritage branding.

Urde et al. (2007) are careful to make a clear distinction between a company's history and its heritage:

*"All brands have a history. Some brands have a heritage. And a few have made their heritage a valuable corporate asset."* (Urde et al., 2007:9)

Urde et al. (2007) characterization of corporate brand heritage is grounded in the following ideas: (1) brands assume a central role in expressing the organization's overall goals and values; (2) the past is made relevant for the current activities and prospectively for the future; (3) the brand draws on its legacy beyond special projects, development of product models or communication actions; rather, it relies on the past to holistically influence the development of its activities; (4) history is regarded not with a focus on a specific bounded nostalgic frame but rather as something that has been evolving and continues to evolve and (5) the organization has a proactive management mindset that results from the acknowledgment of the past's value and of the organization's intent to use it purposively to underlie and leverage the brand strategy, positioning and activities. The corporate brand defines the firm that will deliver and stand behind the offering that the customer will buy and use. The brand has access to organizational as well as product associations and the flexibility to play several roles within the brand portfolio. A firm brings to a market awareness of having assets and capabilities regarding its ability to deliver advanced products and value to customers. The very spirit of a company is its values and priorities, what it considers important. A host of values and priorities, and combination thereof, underlie business strategies. Some firms have a cost-driven culture that supports a value position in the market place. Others place urgency on delivering a prestige customer experience. Innovation, quality, and customer apprehension are three values and priorities worth highlighting because they are so frequently seen as drivers of corporate brands (Aaker, 2004). The corporate brand is extraordinary because it explicitly and unmistakably represents an organization as well as a product. As a driver or seconder, it will have a host of characteristics and programs that can help build the brand. It can help differentiate, create branded energizers, provide trustworthiness, facilitate brand management, support internal brand-building, provide a basis for a connection to augment that of the product brand, support message to broad company constituencies, and provide the ultimate branded house.

First, a corporate brand can hypothetically find differentiation in the organizational associations. While products and services tend to become similar over time, organizations are unavoidably very different. Leveraging the corporate brand across products and markets makes brand management leisurelier and more effective. Off-brand programs and initiatives become more visible when the corporate brand is leveraged across the organization. The corporate brand identity helps as the link between the organization and the customer. Thus, it can play a key role in articulating these elements to employees, retailers, and others who must buy into the goals and values of the corporate brand and embody them to the customers. Changing a corporate brand is like rotating a large ocean liner-it will turn slowly and require a lot of energy doing so. Relevance is also determined by the business strategy. When it evolves or changes, the corporate brand itself needs to be altered, and achieving that task usually represents a significant task (Aaker, 2004).

**Corporate Brand:**
- Heritage
- Assets/Capabilities
- People
- Values/Priorities
- Local/Global
- Citizenship
- Performance

**Potential Impact:**
- Organizationally Based Differentiation
- Corporate Programs as Branded Energizers
- Credibility- Liking, Expertise, Trust
- More Effective Management of the Brand Portfolio
- Support for Internal Brand Building
- Provides a Message to Supplement the Product Brand
- Support for Communication to Audiences such as Investors, Prospective Employees, Potential Leaders
- Provide the Ultimate Branded House

**Challenges:**
- Maintaining Relevance
- Creating Value Positions
- Avoiding Visible Negatives
- Managing the Brand across Contexts
- Making the Brand Identity Emerge

Figure 4: The Corporate Brand: Challenges and Potential Impact (Aaker, 2004)

Corporate reputation is formed over time, based on company actions (Balmer and Greyser, 2003). Hence, aspects of tradition, heritage and history play a substantial role in the creation of corporate reputation (Mahon, 2002).

Balmer (2011b) suggests that corporate heritage identities are powerful because they encapsulate identity, forming a potentially important dimension of a group's collective memory. In approaching a brand's history strategically, management can construct a corporate heritage that drives the brand's current image and value proposition.

Balmer et al. (2006) identify brand image, reputation, communications, brand promise, core values and brand stewardship as key dimensions of corporate heritage brand management. Accentuating historical brand elements through language, symbols and storytelling provides consumers with the stability and assurance of a romanticized past.

The significance of investigating corporate brand heritage and corporate heritage identity from not only the company's perspective but also its various stakeholder groups' perspectives.
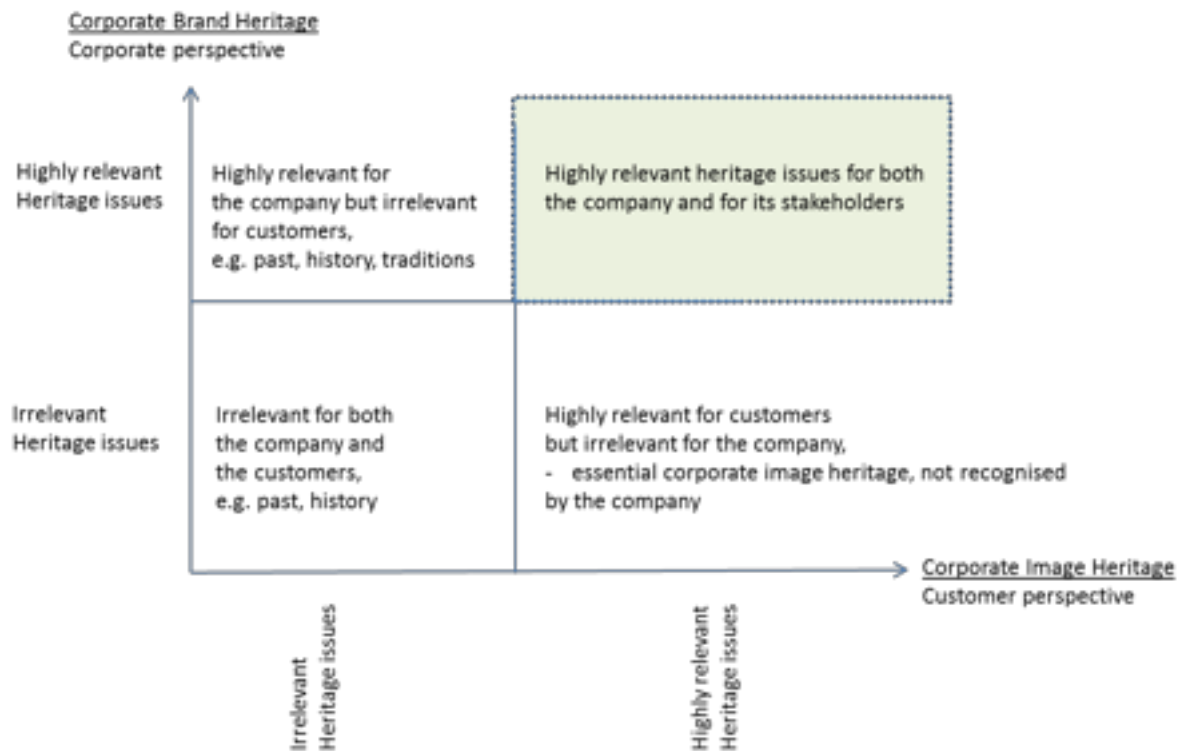


Figure 5: Analyzing corporate heritage elements based on brand and image heritage (Balmer, 2006).

Since there is a strong link between the company history and the corporate heritage, also many studies regarding corporate heritage have focused on how the past is affecting the present when looking at the image of the brand and the corporate heritage (Blombäck and Scandelius, 2013; Wiedmann et al., 2011a). Blombäck and Scandelius (2013) discovered

that family businesses often choose between cooperating the family history, the family heritage, company history, company heritage, family and company history, or family and company heritage to the stakeholders, often mixing the communication dimensions from one situation to the other. Wiedmann et al. (2011a) propose that consumers look for authenticity in brands, which a brand's history brings to the current value. This is a need that has started recently among the consumers due to the constantly changing, global markets (Wiedmann et al., 2011a).

## 1.4. Brand orientation

The statement that "*the brand is not an unconditional response to the wants and needs of customers*" (Urde, 1997: 119) challenges the market-oriented paradigm by assigning greater emphasis to the organization's mission, vision and values. Brand orientation represents an integrated view of the brand, bringing both the internal and external perspectives into the process (Reid, Luxton, and Mavondo, 2005). A central argument is that the brand's core values and promise continuously to affect an organization at every level (Simoes and Dibb, 2001). When an organization grows from a position in which its mission, vision, and organizational values are combined, a critical rung on the ladder toward a high level of brand orientation is achieved (Urde, 2003). For brand-oriented organizations, this leads to strategic competitive advantages, with brands as resources and the basis of increased performance (Persson, 2007, 2009).

Urde et al. (2013) propose four approaches to brand and market orientation: in principle, market orientation and brand orientation are two different strategic orientations. Market orientation primarily takes an outside-in approach, with brand image as a fundamental concept. Conversely, brand orientation takes a primarily inside-out approach, with brand identity as a key concept. Using this logic with two dimensions, it is possible to identify four basic approaches to brand and market orientation. There are now two additional major-minor approaches to consider. Brand and market orientation, and market and brand orientation are hybrid versions, one being related more closely to brand orientation and the other more closely to market orientation. And then it will be:

- ✓ Market orientation: Market orientation accords importance to the customer and the brand image. The perspective is from the outside in, and the needs and wants of the consumers in the market are viewed as essential.

- ✓ Brand orientation: Brand orientation emphasizes the significance of the brand identity (mission, vision, and values) as a guiding light and hub for organizational culture, behavior, and strategy. The internal aspect of the brand, the organization is seen as vital in the brand-building process. The perspective is from the inside out, while the needs and wants of consumers are recognized, the integrity of the brand is paramount.
- ✓ Market and brand orientation: This approach is hybrid, initially relating to market orientation, but recognizing the importance of brand identity and the internal side of the brand. The view of the market and customer comes first, but brand identity also influences the culture, behavior and strategy of the organization.
- ✓ Brand and market orientation: This approach is hybrid, relating to brand orientation, but also recognizing the weight of brand image and the external aspect of the brand.



Figure 6: The brand and market orientation matrix (Urde, Baumgarth and Merrilees, 2013).

## 1.4.1. Brand management

Creating authenticity involves several paradoxes because brands must remain true to an authentic core while also remaining relevant (Keller, 2008). Brown et al. (2003a) identify many of pressures when seeking to exploit the heritage of an established brand. Brand managers must constantly manage the paradox at the heart of strong brands by balancing actions that reinterpret (in response to changing tastes) symbolic stories involving moral conflicts and solutions, evoking aspects of an idealized past in brand imagery and creating an aura that "pertains to the presence of a powerful sense of authenticity that original works of art exude" (Brown et al., 2003b: 21).

Holt (2003) also identifies artisanal goods (small hand-crafted production runs), rejection of mass-market production, and being untainted by commerce as attributes of authentic goods. However, authenticity does not imply "no change". Authentic images need to be constantly adapted and updated as they represent an interplay between creators, commercial interests, critics, competitors, and consumers (Carroll and Swaminathan, 2000).

A heritage-oriented management approach refers to an organization-focused view of the company's branding history and corporate reputation based on the company's past actions (Rindell, 2007). If brand heritage provides a solid basis for both trust-building interactions between the company and its stake- holders over years, and is an important driver of perceived value with reference to consumers to whom heritage is meaningful, a heritage-oriented management approach is strongly related to the company's branding history and corporate reputation (Rindell, 2007). Corporate reputation can also be described as:

*"A stakeholder's overall evaluation of a company over time. This evaluation is based on the stakeholder's direct experiences with the company, any other form of communication and symbolism that provides information about the firm's actions and/or a comparison with the actions of other leading rivals."* (Gotsi and Wilson, 2001: 29).

Brands with a heritage can benefit from going back to their roots and identifying what made them special initially (Aaker, 2004).

According to Kapferer (2004), a brand's success is based on its saliency, differentiability and intensity, and on the trust attached to the associations. In addition to these, Davis et

al. (2008) emphasizes the role and accumulation of experiences in brand recognition. Brand preference ultimately depends on what the brand means to the customer and on the strength of its emotional effect, in other words on its place in the heart (Ballantyne et al., 2006). Brands are intangible assets (Kapferer, 2004), and have traditionally been associated with physical goods, but the notion of branding has been extended to companies as well. A company brand is defined primarily in terms of organizational associations. Brand intangibles cover a wide range of associations and represent a significant element and future priority in branding research. Brand heritage is one of the associations that marketers can use to differentiate their brands from those of their competitors, ultimately helping them to create a unique image for the offering (Keller and Lehmann, 2006). Going back to one's roots and seeking comfort in the past to be ready for the future appears to be a growing trend. Brands representing stability, familiarity and trust can speak to people in periods of uncertainty, helping to create an image of authenticity and integrity that is likely to appeal to today's consumers. According to Ballantyne et al. (2006), in difficult times brand heritage offers a basis for stabilization and growth. Indeed, Aaker (2004) recommends "going back to the roots" particularly for companies that are struggling. When external circumstances call for corporate change, however, overly strict adherence to the brand heritage can turn into inertia (Blombäck and Brunninge, 2009).

A product can thus be packaged in a way that expresses its longevity and stability by referring to historical figures and ancient symbols. Brands can mobilize their heritage in distribution, for the staging of a venue, particularly sales outlets but also brand museums. Finally, communication is an important area for the deployment of brand heritage. Advertising has been the subject of much research in terms of consumer analysis through the perspective of nostalgia (Merchant and Rose, 2013; Muehling et al., 2014). These studies argue for a distinction between the stimulus (e.g. an advertisement using brand heritage) and the associations that the consumer forms from that stimulus (Higson, 2014). Representation of the past is a vector of legitimacy, including within the firm, that reinforces or threatens the position of a group in relation to others. This acceptance affects the involvement of managers in the management of brand heritage and support for the process of change (Burghausen and Balmer, 2015).

Vuorinen et al. (2012) analyze how branding adds to innovation, by classifying different ways of involving with changing markets and initial consumer needs. This is clarified by strategic methods found in the marketing management literature. While orientation to

customer needs has always been crucial in marketing message more attention is rewarded nowadays to customer and market intelligence in remarking relevant trends. Co-creation of value needs an concentrated dialogue with customers about the brand as community property. In brand management consistency and finding a balance between internal vision and dialogue with all those elaborate, such as employees and partners in the value chain, are highlighted.

| Approaches: | Critical factors: |
|---|---|
| **I. A strong orientation on customer needs** | - Being equipped to sense changes in markets and customer needs<br>- Basing strategic decisions on customer demands, also taking latent needs into account<br>- A shared understanding within the company about relevant developments<br>- Marketing as a customer consulting function |
| **II. Orientation on own distinctive vision** | - Facilitating a company to form its own vision on emerging markets<br>- Sharing vision to outline the strategic perspective<br>- Focusing on a strong internal foundation for the company's activities |
| **III. Orientation on co-creating value with customers** | - Tools available to initiate two-way communication with consumers.<br>- Customer communities becoming an extension of the brand experience.<br>- Collaboration with lead customers to develop the value-creation process |
| **IV. Brand management** | - Taking into account the multiplicity of customer views of brand meanings for the portfolio of brands<br>- Promotion of brand spirit in all of the company's activities<br>- Internal branding facilitating employee contributions to the success of the brand<br>- Leadership role to find a balance between orientation on consumer needs, co-producing with consumers and orientation on the firm's own inner vision and capabilities |

Table 2: Overview the four approaches with the critical factors found in the literature (Vuorinen, M; Uusitalo, O. and Vos, M., 2012).

Successful brand management requires an understanding of how the brand strategy is implemented and communicated to consumers and how consumers respond to it (McEnally and de Chernatony, 1999).

## 1.5. The value of brand heritage

Referring to the past, brand heritage is the best way to create prestige and distance. Digital tools allow brands to promote their DNA and teach consumers their values.

By reframing heritage into simple brand values and experimenting with data-backed strategies, brands can have the best of both worlds: a rich, meaningful past with a strong sales future.

Furthermore, companies have begun to pay more attention to their history and their assets to increase awareness and knowledge both towards internal and external stakeholders, with the aim of obtaining competitive advantages (Misiura, 2006).

Aaker (2004) underlines how any company can benefit from exposing the roots of the brand to emphasize its identity and strengths.

Increased credibility and feelings of trust are common among heritage brands (Urde et al., 2007) because over time the brand has opportunities to build strong 'brand stature' measured on characteristics of esteem, consumer respect, and knowledg*e*, or consumers' familiarity with the brand (Keller, 2009). While trust and credibility are extremely valuable, to ensure relevancy in contemporary contexts the brand must also successfully develop strong 'brand strength'. This is measured on two criteria of differentiation, or point of difference, *energy*, or momentum of the brand, and *relevance*, how broad the appeal is amongst consumers. A brand leader needs to be strong in all these categories to successfully utilize heritage (Keller, 2009).

The identification of corporate heritage brands suggests that the ties between past and present are specifically important to reach the valuable differentiation of and trust in brands that reside in authenticity (Grayson and Martinec, 2004). The value of brand heritage can be elaborated from a number of stakeholder perspectives, such as consumers, potential and current employees, and financers.

## 1.6. The role of the brand heritage in the innovation process

As businesses currently face the challenge of keeping up with rapid change in areas such as technology, the brand has become one of the few resources to provide long-term competitive advantage (Lindemann, 2003).

The challenge, then, is optimizing tools such as social media without compromising heritage.

While heritage is a valuable tool for luxury brands when heritage is viewed by brands as a static history it can inhibit innovation, prevent dynamic renewal and impede ability to redefine, strengthen and position brands in current and emerging marketplaces. To enhance the relevance of a brand in contemporary contexts, brands must view heritage not as interchangeable with history but as representative of an emotional response that can be adapted in contemporary contexts. Urde, Greyser and Balmer (2007) explore the benefits achieved from this view:

"*An historical overview is necessarily grounded in the past. Corporate heritage brands embrace three timeframes; the past, the present and the future... a brand's distinctive, and historical, traits have been invested with meaning and value that afford benefits to brand communities of today and tomorrow just as in previous decades or centuries. As such, the brand's traditions have a salience for the present: value is still being invested in the brand as well as extracted from it. Heritage brands are distinct in that they are about both history and history in the making.*" (Urde et al., 2007, p.7)

To successfully create this balance between historic and contemporary values, brands must not exploit their heritage by drawing from it without further adding to it (Urde et al., 2007). Successful luxury heritage brands are defined by their ability to balance the timelessness of brand heritage with innovative strategies for brand positioning that find relevance in the present and future (Okonkwo, 2007). As a result, there is no tension or contradiction between heritage brands being viewed as innovators using cutting edge strategies or technology. In fact, "adaptability is a key to maintaining a brand's relevance over time" (Urde et al., 2007: 16).

## 1.6.1. Brand heritage and innovation

In the dynamic environment that companies face nowadays, innovation is not a choice but a necessity to stay ahead of the competition and to survive. Innovation can be defined as a "multi-stage process whereby organizations transform ideas into new/improved products, service or processes, to advance, compete and differentiate themselves successfully in their marketplace" (Baregheg, Rowley and Sambrook, 2009: 1334). Innovation will just lead to victory in the market if the corporation is able to connect original ideas to moving markets and emerging consumer needs. Branding is said to

increase the innovation potential of companies, leading to more variety and facilitating consumer choice (De Pelsmacker, Geuens and Van den Berg, 2001). Vigorous brands are an essential part of the business strategy of today's companies and brand management faces the challenge of succeeding a status of strength for the brand. The common element in definitions of brand is immaterialness, which means that a brand is constructed on intangible associations and values, making brand performance tough to describe and measure. Even though brands are considered a tactical asset, a specific theory that defines brand management tasks and processes has not been calculated. Brand management faces the challenge that in our gradually complex world consumers face many more products and skills. And as Keller (2008) proposes a strong brand, in particular, transmits various associations and has the ability to update consumer decision making, reduce risk, and set opportunities. Keller (2008) proposes that the authority of a brand lies in what customers have learned, felt, seen, and heard about the brand because of their experiences over time. Thus, the power of a brand could be seen to live in the minds of customers. Innovative companies need to go beyond R&D to understand and connect with customers. In a changing environment, organizations need to adopt continuous learning and development of capabilities to achieve positions of advantage. Market orientation only augments performance when it is combined with a learning orientation and the ability to appliance change (Day, 1994). Higher levels of innovativeness are associated with cultures that emphasize learning, development, and participative decision making. Communicating the brand vision helps stakeholders understand the direction chosen and shows that the firm has a plan for defining its competitive edge. For Davis (2010) beliefs also represent the spiritual underpinning of strong brands. Innovation is a means for changing an organization, whether as a response to developments in its internal or external environment or as a preemptive move taken to influence an environment. Innovation is a means for changing an organization, whether as a response to developments in its internal or external environment or as a preventive move taken to influence an environment. This change, however, needs inspired people and cannot be brought about by planning. The top management development system is not a source of innovative ideas regarding products, markets, or technologies, but it can guide independent or confused activities and help produce a clear organizational strategy (Quinn, 1985).

Building a successful brand is not always based on the interpretation of market reactions. Brand success can be built upon the organization's own vision and ability to innovatively develop unique ways of delivering value to customers, and empowering employees to do

this.

Kapferer (2008) states that innovations are brand oxygen. They re-create leadership, focus the market on value not solely on price, and give a goal to the organization, reminding it that brands are about progress and development once they are on the market. A brand can have a heritage, but not communicate it. It is a strategic decision, when choosing to activate the brand heritage (Urde, Greyser and Balmer, 2007). When activating the brand heritage and using it as a competitive advantage, the company chooses a strategic positioning and value proposition based on its heritage, also known as heritage branding. All brands have a history. Some brands have a heritage. And a few have made their heritage a valuable corporate asset. For some that value remains hidden. Finding the heritage in a brand may well be a path to unlocking its value for the company by enabling the brand's past and present to strengthen its future (Urde, Greyser and Balmer, 2007). Heritage might also be an obstacle, it can be a liability in the sense that it can limit the brands ability to move freely. If a brands heritage is too closely associated with historical events, its growing capabilities can be decreased (Brown, Sherry and Kozinets, 2003). Furthermore, Kapferer (2012) gives examples of industries where heritage is blocking for innovation. He argues that the wine industry can be divided into two overall categories, Old World wines and New World wines.

Old World wines have tried to secure their market leadership by transforming their wine-producing practices into laws. A quality control system that has become a major block against innovating to address the competition from emerging growing areas.

Having no heritage can be an advantage due to it being possible to adapt products and innovate to meet customer needs. Kapferer (2004) uses New World wines, such as Jacobs Creek, as an example of an industry with no heritage to respect. The lack of heritage made it possible to innovate and Jacobs Creek went from zero to a 16.9 per cent share of the British market.

The author states that Old World wines will not be able to remain relevant as long as they do not suppress their Old World wine industry's self-imposed limitations, their production laws and do not encourage supplier concentration, which is a big part of their heritage.

The essence of this is that some brands have succeeded because they innovated, breaking with the competition's conventions as seen with Jacobs Creek. The company's appeal was based on one enduring weakness of competition: it was not an elitist brand, and it had no snob value.

The creation of such a strategy in the industry by being unique and creative can possibly disrupt the industry and affect many of the existing competitors, and if these are based on heritage values, they may be locked in a position, where it will have consequences if they fail to adapt to new industry situation, but where adapting possibly would damage the brand.

According to Urde, Greyser and Balmer (2007) credibility and trust is typically part of a heritage brand. If they decide to abandon their heritage the brand also loses its credibility. So, long-term continuity and safeguarding trust in your brand is key attributes of heritage. Maintaining trust is therefore a vital element in stewardship for heritage brands. However, adaptability is a key to maintaining a brand's relevance over time. Indeed, sometimes one needs to change to stay the same. Examples include modifying the product or it's positioning. The difficult task in this context is to do it without affecting the underlying values of the brand, as this will hurt the continuity and credibility, which is partly the essence of brand heritage (Urde, Greyser and Balmer, 2007).

It can be a difficult task for a heritage brand, to adjust their values and culture to embrace innovation and use this as part of their branding, without it destroying their brand identity if innovation has not been a part of the brand's DNA from the beginning.
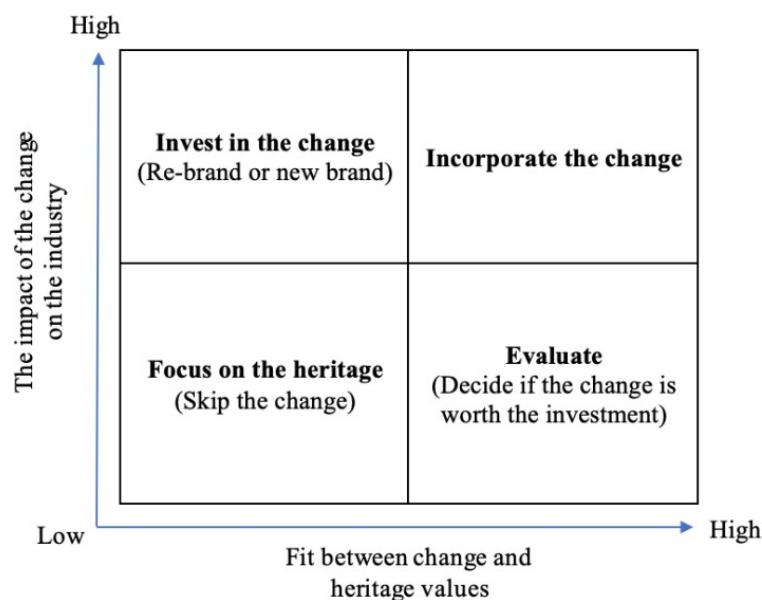


Figure 7: Strategies for coping with innovation (Larsen, N, Jong, J., Bendixen, J. and Juncker, S., 2018).

If the fit for the company is low, and the innovation is of incremental nature an advised strategy would be to keep investing in the company's brand identity and heritage, as it will not be beneficial to invest in low impact innovation when it does not match the company's heritage values. E.g. Den Gamle Fabrik should not focus on embracing a change of a new way of making jam, as it would not correlate with their heritage values, and this innovation have low-zero impact on the industry. When a fit between change and heritage values is high, but the impact of the change on the industry still remains low, the company should evaluate if investing in the change is worth it. This strategy remains open as it is up to the company concerned to assess whether this investment is beneficial both financially but also for the brand. The company may miss a great business opportunity if they choose not to embrace the change/innovation, but the investment can also prove to be indifferent and unnecessary.

Investing in change is the strategy to implement if the change has high impact on the industry or is of disruptive nature, but the company's does not fit the change due to their heritage values. Ravasi and Phillips (2011) is an example of a heritage brand that experienced major challenges to encounter the fast-moving industry within consumer electronics. Therefore, they chose to launch the daughter brand BeoPlay, targeting a new audience to encounter this change in the market. BeoPlay does not use heritage in their branding, yet it seems that the brand still reflects quality due to the strong brand of Bang & Olufsen (Bang and Olufsen, 2012).

Incorporate the change is the last strategy. This strategy should be implemented if change has high impact on the industry, and the company's heritage values fit with the change/innovation. The company can thereby embrace the change, as this investment might help build the brand further, while being supported by the company's heritage values. It can be considered a business opportunity that fits well with the heritage brand. As a competitive advantage and basis for distinctiveness in positioning, the heritage of a brand provides a solid basis for trust-building interactions, minimizes the perceived risks of a purchase decision, can result in the willingness to accept higher prices and in higher consumer loyalty (Urde et al., 2007).

# Chapter Two:
# Organizational impacts of the digital transformation

The exponential advancement of technological progress in the last three decades has marked the transition to a digital world in which almost everyone is surrounded by elements of virtual reality: this radical change is often given the name of 'digital transformation'.

With the entry into our daily lives of new technologies such as social networks, Big Data, industry 4.0, etc. companies, no sector excluded, are looking for new proposals and ideas to make the most of all the advantages of these technologies. Adopting a technology sometimes means completely changing your business model, as companies have to carry out management procedures to govern these complex transformations. All this requires different tools, mentalities and skills than before because "digital transformation" does not only mean adopting certain technologies but, integrating the technology internally. And it follows a rethinking of processes, services and roles from a technological point of view.

To compete and survive, organizations must engage not only in efficiency-oriented activities, but also in exploratory behaviors, such as experimentation, variation and the search for new knowledge (Benner and Tushman, 2003). This requirement is even greater when the business environment becomes more uncertain (Kim and Rhee, 2009; Sidhu et al., 2004), and in particular when exogenous shocks or revolutionary transformations such as major technological changes make the organizations "*basic technologies and sources of obsolete competitive advantage*" (Tushman and Anderson, 1986). This is easily found in luxury companies, especially those founded on a strong heritage. In fact, most of them are family businesses, with an elementary structure and a strategy that has not changed for decades. These found themselves obliged to face the digital transformation, driven more by an external impulse than an internal one.

Despite the importance of looking for new options in such circumstances, not all organizations overcome the constraints imposed by their existing technological knowledge and expertise.

It is important that companies establish practices to manage this complex transformation. They must first formulate a strategy that acts as a guide and coordination for the whole process. Furthermore, it is important to set priorities. All of this is strengthened when the

company has a strong heritage and has made this its competitive advantage. Most companies approached digitization through e-commerce, then moving on to perfecting digital skills. Today, the technological challenge for companies is to integrate the various contact points into the customer experience, in order to create an unforgettable experience for the customers.

Underlying these changes are changes in the behavior and taste of new consumers. In a context in which market conditions change so rapidly, organizational choices and changes of direction must also be sudden. To successfully face a digital transformation, an organization will need to develop a wide range of capabilities, which will vary according to the business context and the specific needs of the organization. Digital technology must become the focal point the way the company operates, which is why it is important to think about integrating technology and not just using it. And organizations need to actually rethink and possibly reinvent their business models in order to remain competitive. This is especially applicable to companies operating in niche sectors (i.e. the champagne sector).

Looking beyond local issues, humanity faces a number of global challenges that will require cooperation, and sustained and combined efforts to meet. Digital Transformation carries the potential to provide solutions to these challenges, but also to amplify the related issues.

The challenge for companies today is to seize the potential of the new enabled operational models of digital technologies, whose implementation allows the innovative integration of a complex set of processes generating multiple benefits in terms of their quality.

Being digital therefore becomes fundamental for the very survival of the organization. However, it is not enough to implement innovative technologies and solutions to ensure the success of the company; it is essential, instead, to redesign the very foundations of the organizational structure, adapting it to the canons of the digital age and conceiving a totally new organization capable of seizing the opportunities that the digital transformation offers. This process must include every aspect of the organization: from the company organization chart to the corporate culture itself, from the business model to the leadership.

However, there are general guidelines, independent of the sector, which will determine the need for change. Everything becomes more blurred, less clear, from competitors to the borders of the reference market. Only companies with advanced digital resources and skills will be able to enter and explore new markets, thus defining their competitive

advantage. In a rapidly changing scenario, such as the current one, companies must be agile to respond to threats from competitors also from other sectors. On the one hand, there is an ever-increasing demand for more flexible or even fluid 'new' organizational forms. On the other hand, studies stressing organizational inertia and the historical imprinting of decision making ("history matters") have come to the fore in management and organization theory; as already mentioned this is an element of obstacle that characterizes significantly the companies with a strong heritage and a very important family history, who are above all currently very present.

In this chapter the construct of the digital transformation will be addressed, the recent developments that have been made, in the literary ambit, on this construct and subsequently the impact that this phenomenon has on the organizational processes.

In the second part we will focus more on what changes will have to be made on the organizational structure in order to adopt a digital transformation in the best way, and the importance of integrating and managing all the channels that are made available. The focus will be above all on luxury companies.

## 2.1. Digital transformation construct

Most definitions found in literature (scientific and otherwise) focus mainly on the transformation of business processes towards utilizing digital technologies (Morakanyane et al., 2017; Piccinnini et al., 2015a; Hanelt et al., 2015; Schallmo and Williams, 2018). For instance, Westerman et al. (2011) describe it simply as "[...] the use of technology to radically improve performance or reach of enterprises [...]", while Schallmo and Williams (2018) provide a more comprehensive definition:

"*We define digital transformation as a sustainable, company-level transformation via revised or newly created business operations and business models achieved through value-added digitization initiatives, ultimately resulting in improved profitability*" (Schallmo and Williams, 2018).

Constant technological change simultaneously creates threats to established business models, while also offering opportunities for novel service offerings (Lai, 2017). Leading firms often seek to shape the evolution of technological applications to their own advantage (Lovelock, 2001; Lai, 2007).

With the advanced and dynamic growth of technologies, how quickly the consumers accept these technologies depends on several factors such as availability of technology,

convenience, consumers' need, security, brand's trust, etc. There have been a number of researchers addressing the consumers' adoption of new technologies (Meuter et al., 2000; Dapp, et al.,2012). Technology Readiness (TR) refers to people's propensity to embrace and use of new technologies for accomplishing goals in home life and at work. Based on an individual's technology readiness score and the technology readiness, Parasuraman and Colby (2001) further classified technology consumers into five technology readiness segments of explorers, pioneers, skeptics, paranoids, and laggards.

The literature on the construct of digital transformation has been steadily increasing, yet it was only after 2014 that the number of publications increased significantly. In 2016, 45% of the total number of articles were journal articles and 55% were conference papers, highlighting a high value for conference proceedings. The countries that contributed most to these publications are the United States of America, Germany and People's Republic of China, with 21%, 19% and 5%, respectively. The journal that had the largest number of publications in Digital Transformation was the MIS Quarterly Executive, which is a journal with an emphasis on practice-based research, a strong indication that this theme is largely being driven by practitioners (Reis et al., 2018)

| Keyword | Record Count | Bar Chart |
|---|---|---|
| Digital Transformation | 60 | |
| Digitalization | 25 | |
| Management | 18 | |
| Internet of Things | 13 | |
| Internet | 10 | |
| Strategy | 9 | |
| Government | 9 | |
| Industry 4.0 | 8 | |
| Innovation | 8 | |
| Technology | 7 | |
| Enterprise Architecture | 7 | |
| Competitive Advantage | 6 | |
| Information-Technology | 6 | |
| Systems | 6 | |
| Educational Technology | 6 | |
| Digital Business | 6 | |

Figure 1: Keywords frequency (Reis et al., 2018)

The challenge of defining Digital Transformation concept can be tackled after the definitions have been reduced to their basic elements. Table 1 illustrates typical definitions taken from the literature.

| Author(s) | Definition(s) |
|---|---|
| Fitzgerald *et al.(2013)*; McDonald and Rowsell-Jones (2012) | Use of new digital technologies, such as social media, mobile, analytics or embedded devices, in order to enable major business improvements like enhancing customer experience, streamlining operations or creating new business models. As such, the Digital Transformation goes beyond merely digitizing resources and results in value and revenues being created from digital assets. |
| Solis *et al.(2014)* | The realignment of, or new investment in, technology and business models to more effectively engage digital customers at every touch point in the customer experience lifecycle |
| Collin *et al.(2015)*; Gimpel and Röglinger (2015); Kane *et al. (2015)* | While digitization commonly describes the mere conversion of analogue into digital information, the terms Digital Transformation and digitalization are used interchangeably and refer to a broad concept affecting politics, business, and social issues |
| Martin (2008) | Digital Transformation is now commonly interpreted as such usage of Information and Communication Technology, when not trivial automation is performed, but fundamentally new capabilities are |

| | |
|---|---|
| | created in business, public government, and in people's and society life |
| Westerman *et al.* (2011) | Digital Transformation is defined as the use of technology to radically improve performance or reach of enterprises |
| Stolterman and Fors (2004) | Digital Transformation is the changes that digital technology causes or influences in all aspects of human life |

Table 1: Reis et al., (2018)

Consistently these authors divide the digital transformation into three distinct elements: (1) Technological: is based on the use of new digital technologies such as social media, mobile, analytics or embedded devices; (2) Organizational: requires a change of organizational processes or the creation of new business models; (3) Social: is a phenomenon that is influencing all aspects of human life by e.g., enhancing customers experience (Reis et al., 2018).

Digital transformation, also known as digitalization, refers to a business model driven by "the changes associated with the application of digital technology in all aspects of human society" (Stolterman and Fors, 2004: 689). It is usually implemented through digitization, i.e. the "ability to turn existing products or services into digital variants, and thus offer advantages over tangible product" (Gassmann, 2006). Freitas Jr et al. (2016) and Klötzer and Pflaum (2017) describe DT as the process of digitization in organizations. The paper of Haffke, Kalgovas and Benlian (2016) underlines this definition as it understands DT as a journey to realize new digital opportunities following the definition of Fitzgerald (2013). Schmidt, Drews, and Schirmer (2017) stated that organizations need to face digital transformation in order to fulfill the expectations of their customers. Digital Transformation is the "use of new digital technologies (social media, mobile, analytics or embedded devices) to enable major business improvements (such as enhancing customer experience, streamlining operations or creating new business models)" (Fitzgerald et al., 2014).

Berman (2012) argues that the key transformational opportunities are: (i) creating new business models; (ii) improving operational processes; and (iii) enhancing customer

experiences.

In table 2 a small summary is made of what is meant by digital transformation, what the main characteristics are, and the drivers and impact it has, not only at an organizational level but, on the whole society.

| What is Digital Transformation? | |
|---|---|
| Strategy | Bharadwaj, et al. (2013); Matt, et al. (2015); Mithas, et al. (2013); Hansen & Sia (2015); Grandos & Gupta (2013); |
| Process | Agarwal, et al. (2010); Berman & Marshall (2014); Bharosa, et al. (2013); Janowski (2015); Kreutzer (2014); Loebbecke & Picot (2015); Stieglitz & Brockmann (2012); Tamm, et al. (2015); Wang, et al. (2016); Hansen et al. (2011); |
| Business Model | Henriette, et al. (2015); Stieglitz & Brockmann (2012); |
| Paradigm Shift | Berman & Marshall (2014); Piccinini (2015a) |
| **What are its Characteristics?** | |
| Radical | Liu et al. (2011); Berman (2012); Berman & Marshall (2014); Westerman et al. (2011); |
| Disruptive | Berman (2012); Berman & Marshall (2014); Granados & Gupta (2015); HBR Analytics Services (2014); Fitzgerald, M. et al. (2013). |
| Evolutionary/continuous | Loebbeck & Picot (2015); Janowski (2015); Wang et al. (2016); Liu et al. (2011); |
| Complex | Janowski (2015); Bharosa et al. (2013); Matt et al. (2015); Agarwal (2010); |
| **What are the Drivers of Digital Transformation?** | |
| Digital Technologies | Agarwal, et al. (2010); Berman (2012); Bharadwaj, et al. (2013); Bharosa, et al. (2013); |

| | |
|---|---|
| | Janowski (2015); Kreutzer (2014); Luna-Reyes & Gil-Garcia (2014); Mithas, et al. (2013); Lucas, et al. (2013); Stieglitz & Brockmann (2012); Setia, et al. (2013); Wang, et al. (2016); Berman & Marshall (2014); Loebbecke & Picot (2015); Westerman, et al. (2011); |
| Digital Capabilities | Berman & Marshall (2014); Loebbecke & Picot (2015); Matt, et al. (2015); Schuhmann & Seufert (2015); Tamm, et al. (2015); Wang, et al. (2016); Westerman et al. (2011); |
| Strategies | Berman & Marshall (2014); Bharadwaj, et al. (2013); Matt, et al. (2015); Stieglitz & Brockmann (2012); Tamm, et al. (2015); Mithas, et al. (2013); |
| Business Model | Agarwal, et al. (2010); Berman & Marshall (2014); Bharadwaj, et al. (2013); Janowski (2015); Loebbecke & Picot (2015); Luna-Reyes & Gil-Garcia (2014); Matt, et al. (2015); Mithas, et al. (2013); Schuchmann & Seufert (2015); Tamm, et al. (2015); Stieglitz & Brockmann (2012); |
| Value Chain | Agarwal, et al. (2010); Berman & Marshall (2014); Bharosa, et al. (2013); Janowski (2015); Stieglitz & Brockmann (2012); Tamm, et al. (2015); Wang, et al. (2016); |
| **What are the Key impacts of Digital Transformation?** | |
| Value Creation: Reshapes, Realign, Redefine, Integrate Collaboration | Matt, et al. (2015); Mithas, et al. (2013); Schuchmann & Seufert (2015); Berman (2012); Bharadwaj, et al. (2013); Luna-Reyes & Gil-Garcia (2014); Stieglitz & Brockmann (2012); Johnson & Lederer (2010); Berman & Marshall (2014); Chen et al. (2013); Bharosa et al. (2013); Wang, et al. (2016); Agarwal, et al. (2010); |

| | Buschmeyer, et al. (2016); Westerman, et al. (2011). |
|---|---|
| Operational Efficiency: Optimize Processes, Omnichannel, Agility, Improved Decision Making Structural Change | Bharadwaj, et al. (2013); Luna-Reyes & Gil-Garcia (2014); Matt, et al. (2015); Mithas, et al. (2013); Schuchmann & Seufert (2015); Lucas, et al. (2013); Setia (2012); Kreutzer (2014); Stieglitz & Brockmann (2012); Tamm, et al. (2015); Berman & Marshall (2014); Loebbeck & Picot (2015); Hansen & Sia (2015); Janowski (2015); Bharosa, et al.(2013); Wang, et al. (2016); Agarwal, et al. (2010); Berman & Marshall (2014); Chen, et al. (2013); Westerman, et al. (2011); |
| Create Competitive Advantage | Bharadwaj, et al. (2013); Lucas, et al. (2013); Matt, et al. (2015); Schuchmann & Seufert (2015); Kreutzer (2014); Stieglitz & Brockmann (2012); Chen, et al. (2013); Westerman, et al. (2011); |
| Improved Relationship: Enhance Customer Experiences; Engagement | Bharadwaj, et al. (2013); Luna-Reyes & Gil-Garcia (2014); Matt, et al. (2015); Schuchmann & Seufert (2015); Bharosa, et al. (2013); Wang, et al. (2016); Berman (2012); Luna-Reyes & Gil-Garcia (2014); Matt, et al. (2015); Piccinini, et al. (2015a); Berman & Marshall (2014); Loebbeck & Picot (2015); Chen, et al. (2013); Westerman, et al. (2011); |
| **Where are these Impacts Felt (Transformed Areas)?** | |
| Business Models | Berman (2012); Westerman, et al. (2011); Agarwal, et al. (2010); Berman & Marshall (2014); Bharadwaj, et al. (2013); Janowski (2015); Loebbecke & Picot (2015); Luna-Reyes & Gil-Garcia (2014); Matt, et al. (2015); Mithas, et al. (2013); Schuchmann & Seufert (2015); |

| | Tamm, et al. (2015); Hansen, et al. (2011); Chen, et al. (2013); |
|---|---|
| Operational Processes | Bharadwaj, et al. (2013); Lucas, et al. (2013); Luna-Reyes & Gil – Garcia (2014); Matt, et al. (2015); Mithas, et al. (2013); Schuchmann & Seufert (2015); Westerman, et al. (2011); Hansen, et al. (2011); Berman & Marshall (2014); Chen, et al. (2013); |
| Customer Experiences | Berman (2012); Luna-Reyes & Gil-Garcia (2014); Matt, et al. (2015); Schuchmann & Seufert (2015); Piccinini, et al. (2015a); Berman & Marshall (2014); Loebbeck & Picot (2015); Luna-Reyes & Gil-Garcia (2014); Westerman, et al. (2011); Gray, et al. (2013); |
| Employees | Schuchmann & Seufert (2015); Tamm, et al. (2015); Hansen & Sia (2015); Luna-Reyes & Gil-Garcia (2014); Hansen, et al. (2011); Janowski (2015); |
| Culture | Schuchmann & Seufert (2015); Hansen & Sia (2015); Berman & Marshall (2014); |
| Infrastructure | Tamm, et al. (2015); Hansen & Sia (2015); Kohli & Johnson (2011); |

Table 2: Digital Transformation – Concept Centric Matrix (Morakanyane, Grace & Reilly, 2017)

In table 3 instead, the authors Morakanyane, Grace and O'Reilly (2017) report various definitions of digital transformation and their evolution over time.

| Authors | Definitions |
|---|---|
| Liu et al. (2011) | "the integration of digital technologies into business processes" |
| Bharadwaj et al. (2013) | "an organizational strategy formulated and executed by leveraging digital resources to create differential value" |

| Fitzgerald et al. (2013) | "the use of digital technologies to enable major business improvements" |
|---|---|
| Lucas et al. (2013) | "fundamentally altering traditional ways of doing business by redefining business capabilities, processes and relationships" |
| Mithas et al. (2013) | "the extent to which an organization engages in any activity of IT" |
| Westerman et al. (2014b) | "the use of technology to radically improve performance or reach of enterprises" |
| Henriette et al. (2015) | "a business model driven by the changes associated with the application of digital technology in all aspects of human society" |
| Piccinini et al. (2015) | "characterized by the use of new digital technologies to enable significant business improvements" |
| Schuchmann & Seufert (2015) | "realignment of technology and new business models to more effectively engage digital customers at every touchpoint in the customer experience life cycle" |
| Chanias & Hess (2016) | "reflect the pervasiveness of change induced by digital technologies throughout an organization" |
| Hess et al. (2016) | "concerned with the changes digital technologies can bring about in a company's business model, which result in changed products or organizational structures or in the automation of processes" |

Table 3: Digital Transformation- Current Definitions (Morakanyane, Grace and O'Reilly, 2017)

## 2.1.1. Drivers of digital transformation

Drivers of digital transformation pertain to those attributes that influence and enable the process of digital transformation to take place. Ezeokoli et al. (2016) remarks that several studies have articulated digital transformation drivers as: profitability and new revenue

growth, customer satisfaction, increased operational efficiency, convenience and the same high-quality technical standard, increase business agility, increased employee productivity and competitive advantage (Morakanyane, R., Grace, A. and O'Reilly, P., 2017). However, the drivers of the digital transformation are varied: digital technologies, digital capabilities, strategies, business model, value chain, etc.

During the chapter all relevant drivers will be explored.

## 2.1.2. Digital capabilities

A firm's IT capabilities represent "the application of physical or intangible IT resources such as technology, knowledge, practices, relationships, management skills, business process understanding and human resources to further organizational goals" (Sandberg et al., 2014).

Digital transformation also has an organizational impact on human resources as job roles evolve in line with the transformation of activities. Decision makers must have to take into account the evolution of knowledge and skills (Kohli et al., 2011).

| Digital Capability | Number of articles (%) | References |
|---|---|---|
| Digitalization/ dematerialization | 5 (18%) | (Liu, 2012); (Rothmann et al. 2014); (Øiestad et al., 2014); (Belk, 2013); (Gestaldi et al., 2012) |
| Internet Technologies | 10 (37%) | Liu, 2012); (Rothmann et al. 2014); (Øiestad et al., 2014); (Zhu et al., 2006); (Pardo et al., 2014); (Rogers et al., 2011); (Pinzaru et al., 2012); (Medina et al., 2013). |
| Analytics | 3 (10%) | (Kohli et al., 2011); (Berman, 2012); (Gastaldi et al., 2012). |

| | | |
|---|---|---|
| Mobility | 5 (18%) | (Berman, 2012); (Liu, 2012); (Pardo et al., 2014); (Pinzaru et al., 2012); (Medina et al., 2013). |
| Social Network | 2 (7%) | (Berman, 2012); (Rogers et al., 2011). |
| Knowledge and skills | 3 (10%) | (Kohli et al., 2011); (Liu, 2012); (Belk, 2013). |

Table 4: Distribution of articles by digital capability (Henriette, Feki and Boughzala, 2015)

Organizations need to develop new capabilities to remain competitive. Moreover, dealing with an emerging technology may require the development of new and complex business models (Teece, 2007), and the development of dynamic capabilities. Orienting the organization towards exploration mode in such conditions requires a dynamic decision-making process and frequent trade-offs between contrasting and conflicting agendas.

Customer co-creation can play an important role in forming and directing managerial attention. Von Hippel and his colleagues (1999) discuss how interactions with lead users may help the organization to be more aware of and responsive to major shifts and trends in the market. Such strategies are believed to stimulate managers to paying attention to changing environments and customer needs. The digital workforce has developed many competencies in the course of their interactions with technology that may be leveraged at work. Among the most obvious of these competencies is their proficiency and comfort in achieving desired outcomes using technology, often referred to as "digital fluency" (Briggs and Makice, 2012). Digital fluency goes beyond simply knowing how to use a few programs or basic applications; those who are digitally fluent have achieved a level of proficiency that allows them to manipulate information, construct ideas, and use technology to achieve strategic goals (Hsi, 2007).

However, the competencies possessed by a digital workforce go beyond digital fluency and also include the activities that they engage in which provide opportunities for the development of other necessary skills.

## 2.2. Digital transformation of business processes

Increasing digitization of business processes, products and services makes it imperative that organizations develop a better understanding of digital business strategies. To go further, digital transformation is a specific type of strategic change (Klarner and Raisch, 2013), since it alters a firm's value creation and can change the scope of its businesses (Hess et al., 2016). It goes beyond merely digitalizing resources and involves the transformation of key business operations, products, and processes, culminating in revised or entirely new business models (Downes and Nunes, 2013; Matt et al., 2015).

As already pointed out, the goal is to align strategy with technology, in this way the company will be able to guarantee high performance and maintain tis competitive advantage. Furthermore, the focus is shifted to the customer, who is no longer just the user of the good/service, but is placed at the center of the entire purchasing process, becoming the protagonist and, increasingly, the co-builder together with the company. To do this, the company must take into account the growing fusion of digital and physical aspects to enrich the purchasing process, the extension of the relationship itself to embrace an ecosystem of different subjects, the company must be able to manage the different aspects of demand of an increasingly aware and connected consumer, must choose agile technological solutions. The classic sales channels therefore meet a customer who has already decided, and who has almost completely used digital touch points in the first phase of the purchasing process.

For example, in the manufacturing sector, the disruption caused by digital transformation is leading to, and in part has already led to numerous applications with formidable effects in terms of efficiency, process quality, competitiveness and business development on the market.

As with all things, there are advantages and disadvantages. If so far we have seen a series of positive elements that digitalization brings with it; on the other hand, this transformation could have "negative" effects on the way of working, in general on the organization. In fact, what must be clear is that being digital means using different technological tools and not replacing human cognitive and collaborative skills. Technological tools must be an accompaniment to people. For this reason companies need to think of an "intelligent" digital process based on data and information collection, social network, file sharing, etc. It is fundamental to understand that in itself digitalization is not enough: in fact it is necessary to redesign the processes in progress following new

paradigms and conceiving new models of work based on technology, in which the roles of leaders, managers and employees of all levels change from consequently, accompanied by Human Resource functions which in turn must be rethought at the base. The central element is that the behavior of customers has already changed, even if those of the companies are chasing them: in fact, customers no longer go through a straight line that goes from the desire to purchase to the act of purchasing, rather they live a continuous circular course in which each phase is linked to the others, putting them in a dynamic relationship. Customers no longer limit themselves to managing and switching from one channel to another (multichannel) but using virtual and direct solutions in continuous solution according to the desires and needs (omnichannel) employing all that technology can offer (Christensen et al., 2003).

If the most advanced Customer Relationship Management tools are at the base, from the point of view of contact with the customer, it is essential to be able to integrate virtual and physical shopping, progressively widening the relationship with customers and creating the possibility of an experience without borders. Therefore, proceed by enhancing listening skills, accumulating data and then making the most careful selections based on the client (Big Data management), relying on platforms and Information Technology services of the latest generation to achieve what remains a complex but dense goal of promises.

An important contribution in this area was given by Picot-Coupey et al. (2016) as they examine the challenges that e-tailers face when synchronizing brick and mortar with clicks in an omni-channel perspective, and seek to shed light on the possible ways to overcome these challenges to successfully implement a omni-channel strategy. To answer the research questions, the authors are based on an in-depth longitudinal case study conducted by the French eyewear retailer Direct Optic from January 2013 to March 2015. The results show that the challenges faced in the transition to the omni-channel strategy are so numerous and so engaging that, in fact, it is impossible to evolve directly from a multi-channel strategy to an omni-channel; for this reason, an intermediate cross-channel strategy is present.

Just as increased technology usage has influenced the competencies, self-awareness, and relational expectations of the digital workforce, the way that work is structured and carried out has also been impacted by technological developments. For all this to happen, however, technology will not suffice: new socio-technical systems must be designed and implemented, that is, it is necessary to formulate and implement business strategies

centered on new business models with new products and services centered on customers; configuring planetary organizational networks; developing flexible organizational units; preparing coordination and control systems that are not only hierarchical; and fostering a new business culture and ethics (Butera, 2009).

The work of the fourth industrial revolution will consist of innumerable and changing new or profoundly modified roles, generated not by the inevitable "effects of technologies" but by a project capable of constructing meaningful roles and professions. The basic component will be the "open roles", because the collaboration between business and technology cannot be included in traditional models. For this reason, and also for all that has been written so far, it is no longer possible for companies to be self-referential in their growth models. They must begin to learn from the insights that come from technological innovation, from new consumption models, from customers, from collaboration with other companies, etc.

Companies, as players in markets pervaded by technology, responded first by opening up to online commerce, or e-commerce, to then refining their digital skills using other innovations as potential touch points; the next step, which many are beginning to take, is the integration of digital contact points throughout the customer experience, in order to create added value for the consumer.

With the evolution towards an omnichannel mentality, the physical store has moved from being one of several potentially competing channels, as happens in multichannel strategies, to a center of great strategic importance to integrate online interactions with offline ones (Savastano, Barnabei and Ricotta, 2016).

However, change is also a complex challenge and raises questions about the need to permanently remove the barriers between channels, the lack of a unified customer vision, stock management and uncertainty about future technology developments (Piotrowicz & Cuthbertson, 2014). Throughout its history organizations as undergone three other major transformations, supported by as many technological leaps. A clear strategy for deploying and exploiting digital technologies is crucial for future business success. There is, however, disagreement on the relationship between digital strategy and business and IT strategies. Some argue that a digital strategy should be formulated and implemented as a part of a firm's IT strategy. In the context of digital transformation, the argument is that a firm's IT strategy can evolve from a functional strategy (which traditionally has been subordinate to business strategy) to an organizational strategy that leverages a firm's digital resources to create differential value (Bharadwaj et al., 2013). Others take the view

that such an important and challenging strategic issue as digital transformation demands a standalone strategy that is not part of another organizational or functional strategy. To exploit digital market opportunities, firms must have scope of action available. In contrast, firms that are constrained in their scope of action as they are locked into a strategic path (Sydow et al., 2009) do not seem to be able to exploit the market opportunities of digitization, which is a major, if not the most important, reason why digital market opportunities remain largely untapped (Drnevich and Croson, 2013).

Precisely for this sudden and continuous change both in the reference market and, above all, in the tastes and habits of consumers, the fundamental process that companies must not underestimate is the go-to-market-process. In fact, this is the last trait that interfaces directly with the customer, if the company modifies all the ex-ante processes and underestimates this final process, the risk is a flop. The go-to-market process, one could say that is the business card of the company.

## 2.3. Go to market strategy

Prior studies have investigated go-to-market strategies for innovations from the vantage point of the launching company (Hultink et al., 2000; Lee et al., 2011). Studies have also explored the effectiveness of single go-to-market strategy elements, referred to as individual signal vehicles, from a consumer perspective (Klink and Athaide, 2010; Talke and Snelders, 2013). Hence, prior studies have investigated signal vehicles (see also Steenkamp and Gielens, 2003), but not the underlying signal that should be communicated with the help of these signal vehicles when bundled in a go-to-market strategy (Schuhmacher and Kuester, 2017).

Literature suggests that such signals can be communicated to the market in several ways via signal vehicles. Marketing-mix elements, for example, when used as go-to-market strategy elements, have previously been considered as signal vehicles for unobservable quality. Specifically, Gammoh et al. (2006) have examined the brand name as a risk-reduction signal. Other signal vehicles that have been investigated are prices (Bagwell & Riordan, 1991) and retailer choice (e.g., Chu and Chu, 1994). For a signal to be effective, signal vehicles need to be consistent, that is, the information provided via signal vehicles from one source should show high agreement. Conflicting information via different signal vehicles confuses signal receivers, making the signal less effective (Chung and Kalnins, 2001).

Figure 2: Go-to-market Process (https://bit.ly/2JjM3df)

The go to market strategy is the basis, through this strategy the company presents itself on the market. Companies need to keep in mind the needs and expectations of the customers. The context of reference is also important, the company need to do a sort of benchmarking, especially to evaluate where the competitors are and what the company need to do to differentiate themselves from them (for example by using heritage?). One of the fundamental tools to be used at the moment is SWOT analysis (strengths, weaknesses, opportunities and threats). Next, an aspect that should not be underestimated, company have to start promoting (for example: by involving influencers, using the available touch points, it could hypothesize a viral marketing campaign to activate curiosity, etc.). This is the time for companies that want to digitize and that, at the same time, have a heritage, to activate it (e.g. through storytelling) and to make heritage their point of differentiation from competitors. Furthermore, with a correct promoting strategy, the company could count on loyal customers, but obviously it would have good prospects for expanding its user base.

Radical innovations provide novel benefits in the eyes of consumers and enable them to do something they were not able to do before.

Additionally, a proliferation of new technologies narrows the window of opportunity during which a radical innovation can be introduced and established and its costly investments recuperated (Montaguti, Kuester and Robertson, 2002). Bringing radical innovations to the market is demanding because consumers may postpone adoption due

to the high perceived uncertainty. Firms need to overcome this uncertainty experienced by consumers by designing go-to-market strategies that favorably impact their adoptions decisions (Schuhmacher, Kuester and Hultink, 2017).


## 2.4. New organizational structure

The word "digital transformation" contains within it "transformation" not by chance; in fact, the introduction of new technological solutions is leading to a total rethinking, not only of the product, but of all the business processes and of the entire supply chain. A total transformation, which does not touch only some aspects but which is pervasive of the entire organizational structure. The digital evolution involves, transversally, the manufacturing and support processes, modifying the physical characteristics of the firm and consequently, the company organization; it is therefore possible to foresee a transformation of the roles that the different professional figures employed in the production field, from shop-floor figures such as workers, factory technicians to management, will be called to fill.

So they need to rethink the organization, making it more agile and smarter, able to adapt to constant internal and external changes. For this reason, as previously mentioned, it is important to integrate technology within the company. New organizations will need to be flexible and hierarchically flat. Decision-making processes will have to be leaner. In some companies it will be possible to have a more fluid management, especially in young companies. In the more consolidated companies, as in the case of this research, companies that were born almost a hundred years ago (and even more), the best solution will be to keep some key processes stable so as not to risk losing the compass. In all cases, however, all processes that interact with the outside of the organization must be flexible, otherwise it will not be possible for them to adapt to changes. Being fluid not only means adapting quickly to changes, but also being able to perceive any opportunities before your competitors. The roles will also change. First of all, researches now talking about "open roles" where the job description is not clearly defined, but just like for organizations, people are also asked to be fluid, open and versatile. And then there will be a shift of focus from hierarchical roles to tasks. The role of each is defined mainly by their skills and by the contribution made to achieve the same goal.

Technology and strategy must not be understood as parallel but rather as convergent, because one is necessary for the exploitation of the other, and both influence one another. It must be accepted that Digital Transformation does not imply a superficial redesign of the company website or IT system rather it requires a change involving the entire organization, from marketing to processes, and distribution to physical stores. The companies that have been able to put technology at the center and reinvent their business model around it have been able to differentiate and prosper, while those who fall behind risk sacrificing enormous possibilities for growth, and risk disappearing from the market. As can also be seen from Figure 3, digital strategy is completely transversal and covers the entire organizational process.
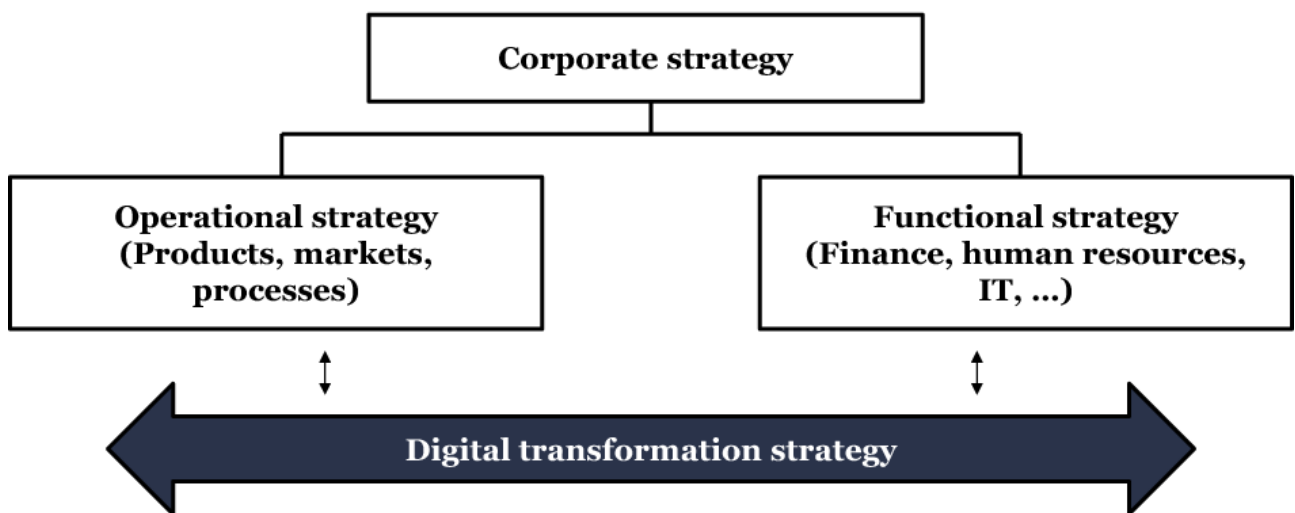


Figure 3: Relation between digital transformation strategy and other corporate strategies (Matt et al., 2015)

Digital transformation strategies have certain elements in common. These elements can be ascribed to four dimensions: use of technologies, changes in value creation, structural changes, and financial aspects (Matt et al., 2015).

The *use of technologies* refers to the organization's predisposition towards technological tools and its ability to make the most of the advantages they bring. The company must decide whether it wants to become a leader in the sector, devising new solutions or whether it wants to use already existing tools that are adequate for its strategy. It is a decision that must be taken very carefully, because being a leaders is obviously advantageous as it allows the company to be ahead of their competitors; on the other hand, it is risky and requires certain already consolidated technological skills. From a business perspective, the use of new technologies often implies c*hanges in value creation*.

Refers to the impact that technology has on the value chain, that is, how far these technologies deviate from the core business. If on the one hand they allow to expand the offer of products and services, sometimes even more in line with the tastes of consumers; on the other hand, it requires specific skills that companies often do not possess internally and that they must find from outside. The important thing, however, is to understand exactly where they want to go and what specific skills they need. With different technologies in use and different forms of value creation, *structural changes* are often needed to provide an adequate basis for the new operations. All these changes require structural changes, especially as regards the integration of digital activities into existing functions. Even if it is products, services, roles and skills that are primarily affected by this technological change. Obviously, this too is a decision that is up to the company to want to integrate digital activities into existing functions or to create separate digital units. All this, however, can be addressed only after evaluating your financial skills (Figure 4).
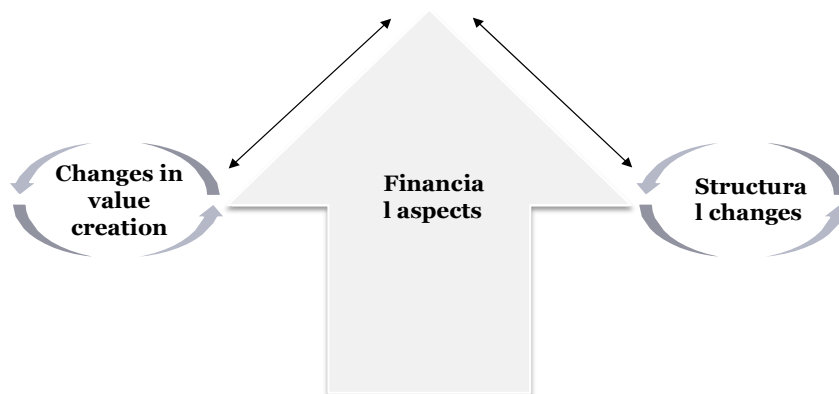
Figure 4: Digital transformation framework: balancing four transformational dimensions (Matt et al., 2015)

Thus, the impact of digitalization, and the goals of digitalization for an organization, can be identified from three different viewpoints:

1. *Internal efficiency*; i.e., improved way of working via digital means and re-planning internal processes;

2. *External opportunities*, i.e., new business opportunities in existing business domain (new services, new customers etc.);

3. *Disruptive change*; digitalization causes changes business roles completely (Parviainen, Tihinen, Kääriäinen and Teppola, 2017).
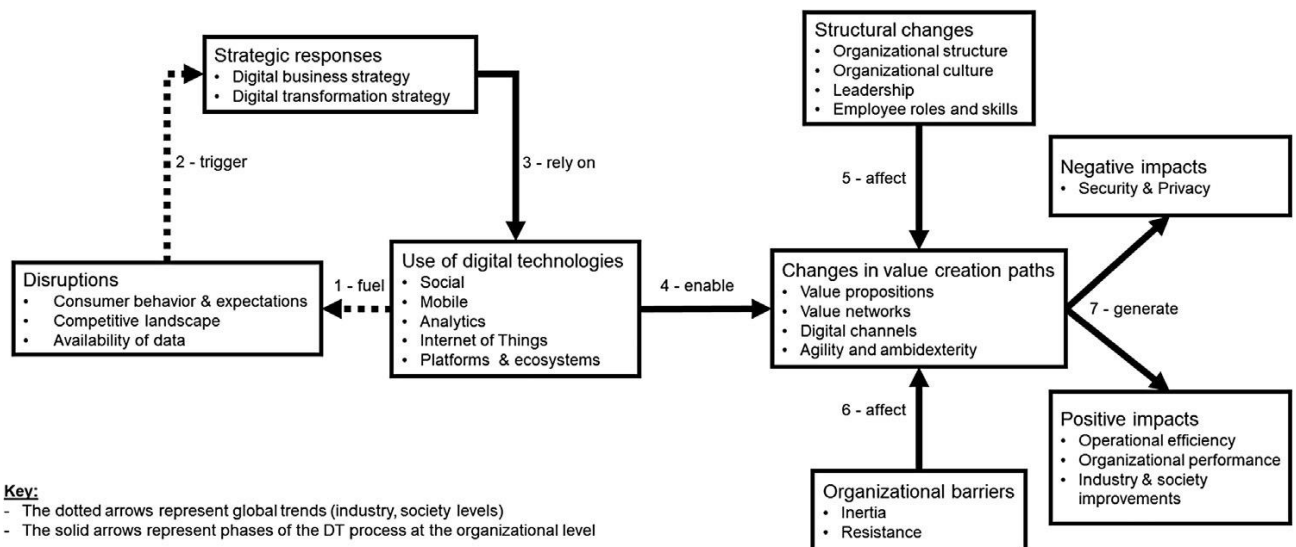
Figure 5: Building blocks of the DT process (Vial, 2019)

Figure 5 shows eight overarching building blocks describing digital transformation as a process where digital technologies play a central role in the creation as well as the reinforcement of disruptions taking place at the society and industry levels. These disruptions trigger strategic responses from the part of organizations, which occupy a central place in digital transformation literature. Organizations use digital technologies to alter the value creation paths they have previously relied upon to remain competitive. To that end, they must implement structural changes and overcome barriers that hinder their transformation effort. These changes lead to positive impacts for organizations as well as, in some instances, for individuals and society, although they can also be associated with undesirable outcomes (Vial, 2019).

Given the challenges and opportunities that DT holds for companies across industries, an increasing number of companies have created a new managerial position: the Chief Digital Officer (CDO). This position has grown in importance across a range of industries over the past few years (Singh et al., 2019). Companies have increasingly created CDO positions in order to manage initiatives that explore and harness new digital technologies. Thus, in their pursuit of DT activities, CDOs need an appropriate governance architecture as well as horizontal coordination mechanisms in order to manage the organizational interdependencies (Pfeffer, 1981) that arise during transformation activities. Consequently, one of the main challenges for CDOs is how to handle organizational interdependencies and how to link intra-organizational key stakeholders. Below is a table explaining the role of the CDO and the differences with the other similar roles.

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|  | Chief Digital Officer | Chief Information Officer | Chief Data Officer | Chief Innovation Officer | Chief Strategy Officer |
|---|---|---|---|---|---|
| Key Responsabilities | - Digital mobilization of whole company <br> - Initiation of digital initiatives <br> - Company-wide collaboration | - Strategic IT deployment <br> - IT support | - Data management <br> - Data analytics | - Structured corporate innovation <br> - No specific focus on digital initiatives | - Management of strategy process <br> - Strategy execution |
| Strategic perspective | - Digital Transformation Strategy | IT Strategy | Data Strategy | Innovation Strategy | Corporate Strategy |
| Specialist Role | Digital Transformation Specialist | Strategic IT Specialist | Data Specialist | Corporate Innovation Specialist | Corporate Strategy |

Table 5: Comparison of CDO and Other CxO Positions (Singh and Hess, 2017)

## 2.4.1. Channels integration strategy

For the correct implementation of channel integration strategy, there is a need for more dynamic, more volatile, and leaner companies (Agile HR, Agile Supply Chain, etc.). Above all, luxury is synonymous with rapid change; fashion companies tell you to change before you know it, but, the same companies internally put in place a slower change. An alternative scenario for the future of luxury brands that use a channel integration approach would be to achieve the highest level of integration by creating a customer profile that is accessible both online and offline, where all information relating to purchases, position, dimensions, preferences and even card details can be accessed in stores. In this way, a sales person will already be aware of the consumer and can thus extend the level of service. In other words, the luxury brand might try to further customize the customization to identify their consumers wherever they may be.
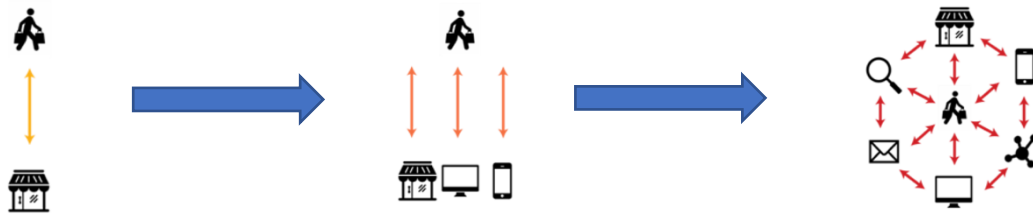
Figure 6: Channel Integration Process

Consumers, especially luxury consumers, interact with their favored brands through mobile devices such as smartphones and tablets even during their physical shopping expeditions in boutiques and department stores. This means that accessing a radically new way of bonding physical and digital environments with luxury brands is aligned with the ability of the brand itself to merge on and off line touchpoints in order to deliver a seamless experience, thus redesigning the way in which brands can create value for their customers (Venkatasen, 2005). To contrast the advent of digitalization, and the consequent shrinking of control over contents and outlets throughout the purchase process, many luxury brands have adopted what may be defined as "multichannel retail strategies". These strategies implied the integration of some sort of digital channel or touchpoint into the existing channel mix.

Such integration goes under the name of "Omnichannel" retailing and could be described as: "an evolution, combination and integration of multi-channel, in which the customer experience is seamlessly integrated across channels (i.e., websites, brick-and- mortar stores, social networks mobile platforms, catalogues or direct mail)".

Therefore, luxury brands should invest resources in analytical tools and hire employees with the skills to use them (Davenport, 2014). Once the raw data has been processed and generated useful information, the company will know more details about consumer behavior and preferences. This requires data scientists to know what data should be collected to produce this information in the first hand.

The need for cross-channel integration is even more evident when mobile technologies are used in-store. The customer can use his device to perform searches, compare products, ask for advice, etc. directly in the shop (Piotrowicz and Cuthbertson, 2014).

Managers have the task of guiding their organizations to grasp the value of digital transformation, through innovation and in a necessarily agile way, considering the speed of the transformations taking place.

In order to integrate the various channels, the firm must rethink control, from the corporate hierarchy to the data: through the new digital tools it becomes possible to increase the systemic control while loosening the local control, enabling the edge-centricity. Thanks to new technologies, managers can fully act as proxies, enabling data sharing and therefore encouraging the decentralization of operational decisions, with these now taken locally and rapidly based on knowledge of the context and shared data.

In addition to creating new leadership skills, organizations in the digital age will need a new blend of talent. In addition to these new behaviors, it's also time for organizations to think about the complexity of skills needed to be digital. On the one hand, the ability to interpret data and communicate through digital media must become increasingly widespread throughout the organization; on the other, vertical skills are needed to manage the new volumes of data available, to transform legacy information systems in a new digital IT, to seize the new business opportunities hidden behind technological innovation; and to integrate everything in the new intelligent digital processes; e.g. some Champagne companies are gearing up by hiring people from Google, Apple or starting partnerships with IT companies, with the aim to not only to put into practice a true digital strategy but to "exploit" even the most technical skills.

To move with the same speed as their markets and customers, the organizations at the forefront of digital change are replacing departments and silos with agile teams.

Sluis (2014) identifies four key steps to better manage the channel integration strategy:

1. **Know the customer's preferred channel**. First of all the company has to put the customers at ease, being he/she the protagonist, he/she will choose which channel he/she prefers to buy or simply interact with the company. The purpose of the omnichannel (integration of the various online and offline channels) is to unify the experience, or to make it "equal" on any online or offline channel chosen by the consumer. The message and image of the company must be univocal, whatever the channel chosen. Technology is not adversarial, but allied: by exploiting the data collected when the purchaser performs the online search, it is possible to personalize the contribution offered by in-store personnel and potentially lead to the conclusion of the transaction.

2. **Track the customer journey.** In the past, a salespersons tasks was to convey the information obtained about the customer into a system that, received data that was often incomplete, disconnected or conflicting. The consistent driver of the new way of operating is technology, which integrates the information coming from various points of contact and helps to achieve a unified view of the customer: according to an analysis by Forrester Research (Sluis, 2014) a potential buyer interacts on average with a number of touch points ranging from eight to twelve, before dealing with a sales person. Therefore, it is necessary to gather the numerous information coming from the website, from the online community, from the email exchanges to decide if, when and how often to move the report to direct one-to-one communication.

3. **Take advantage of the conversation on social media**. The world of social media is considered a great ecosystem that can put people in touch to discuss products, ideas and companies. The main topics of conversation must be monitored to understand around which elements the perception of brand value revolves, and the company can also actively interact with users by listening and responding. The advantage of communication on social media is twofold and involves both parties: the buyer acquires personalized, complete and specific information on the topics of his interest; the selling company, on the other hand, differs from the competition and manages to involve the user even earlier in the purchasing cycle. The salespeople also see their consultative role enhanced and extended to the digital world, with the possibility of actively creating cross-selling opportunities based on the needs expressed by the user (Sluis, 2014).

4**. Refer to the customer, not the channel**. This point concerns the absolute need to overcome the logic of silos not only as regards the results in terms of sales, but also in the relationship with the customer through all the purchasing experience. The latter must be seen from a perspective that includes all the interactions, not taken individually but considering them as part of an integrated communication history. Referring to the customer takes on the meaning of an effort by the company to obtain complete information to improve the quality level of the experience for the final consumer: the management of the relationship with the customer thus becomes a source of advantage competitive (Sluis, 2014).

Preparing for a digital future is no easy task. It means developing digital capabilities in which a company's activities, people, cultures, and structures are in sync and aligned towards a common set of organizational goals. The integration of channels produces effects on the entire organization, and often goes even further, affecting products,

processes, up to the entire supply chain. As already seen, digitalization certainly has advantages such as increased sales or productivity, also thanks to the innovation it brings. This is dictated by the fact that technology offers different and multiple ways of interacting with consumers.
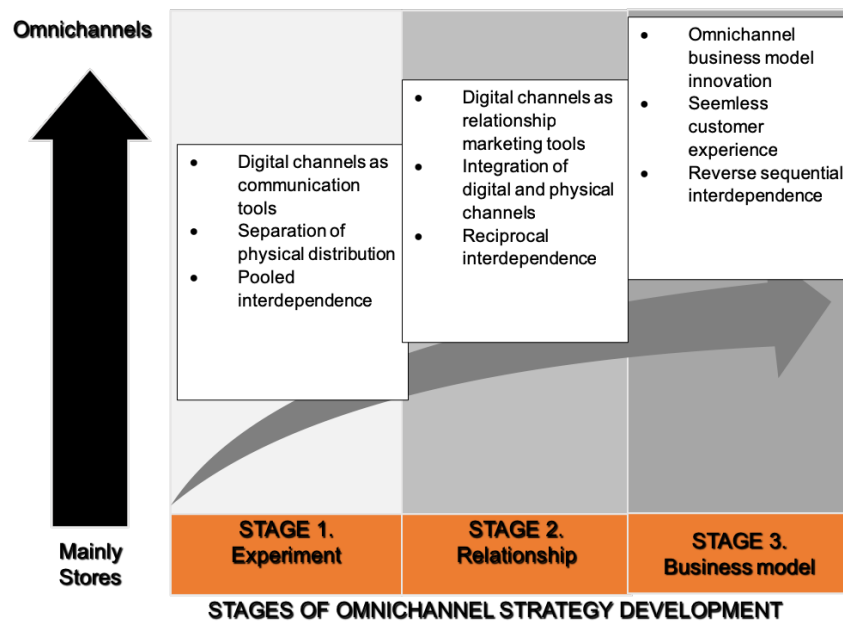


Figure 7: Omnichannel's model (Pini and Quacquarelli, 2016)

The authors propose a step by step approach to omnichannel strategy, providing a model with different evolutionary stages for luxury companies. This approach helps companies to monitor strategy and business model evolution, organisational process reconfiguration and modifications of organisational roles, and responsibilities across the different stages. Generally, this model should help companies frame the strategic options they are facing during the transition. The 3 main steps are:

- **Stage One: Omnichannel as experiment:** in this stage, companies 'add' different channels as they are mainly required by the competition and not as a deliberate strategic choice. Basically, there is no integration project.
- **Stage 2: Omnichannel as relationship:** the understanding of the customers' behavior is increasingly necessary, considering also that the customer satisfaction drivers have changed dramatically in recent years. The ability of digital channels

to provide rich and detailed information about customers' behaviours and attitudes leads companies to develop a strong interest in customer equity and in all the tools that might help establish a strong relationship with their customer base through all available channels and touch-points. Companies in this stage start to adopt and use digital channels as tools to reshape the way they serve their final customers.

- **Omnichannel as business model:** the last stage represents a complete rethinking of the value proposition pillars of brands through a radical business model innovation. This innovation requires that all organizational processes should be fully integrated in order to provide customers with a truly seamless experience.

Storytelling implies the ability of the brand to collect, store and elaborate a large number of data regarding single customers and their networks to back-up interactions. Among the most promising touchpoints for delivering rich branded experiences is the mobile channel which offers great opportunities for interaction with customers, increasing the quality of their experience with the brand, merging physical and virtual reality into a single interaction and, at the same time, capturing real time data.

## 2.4.2. Barriers to changing the value creation process

- <u>Inertia</u> is relevant where existing resources and capabilities can act as barriers to disruption, highlighting the relevance of path dependence as a constraining force for innovation through digital technologies (Srivastava and Shainesh, 2015). For example, incumbent firms are deeply embedded in existing relationships with customers and suppliers, have well-established production processes that are highly optimized but often rigid, and rely on resources that cannot easily be reconfigured (Kohli and Johnson, 2011). Töytäri et al. (2017) found that organizational culture, identity and legitimacy form strong institutional barriers that hinder the development of smart services. In all those instances, the issue is not that the organization's top management does not consider digital technologies as potentially beneficial to the organization; rather that the structural components of the organization, both tangible (e.g., means of production) and intangible (e.g., organizational culture), are so embedded within everyday practices that they stifle

the innovative and disruptive power of digital technologies. There is another well-known argument on organizational persistency that has been advanced by population ecology (Gresov, Haveman, and Oliva, 1993; Hannan and Freeman, 1984). In this perspective structural inertia, the hyperstability of organizational arrangements in spite of environmental change, is a universal organizational feature that develops in the course of structuring the organization. Routinizing and institutionalizing organizational actions are seen as crucial in order to guarantee stakeholders trustworthiness, responsibility, and, finally survival in competitive environments. Inertia is considered a prerequisite for effective organizational acting but, illogically enough, eventually impends the organization's survival because it is likely to bring about a discrepancy with changing environmental circumstances (Sydow et al., 2009).

- Resistance. Another barrier to digital transformation is the resistance that employees can demonstrate when disruptive technologies are introduced in the organization (Fitzgerald et al., 2013; Kane, 2016; Singh and Hess, 2017). Schmidt et al. (2017) argued that resistance is a product of inertia rooted in everyday work that cannot be addressed by simply altering the behavior of employees. Rather, it requires that processes be altered to enable flexibility in the face of change.

- Path-dependency: thanks to extensive research on organizational change, the causes that limit it are fairly clear. Routines, group thinking or long-established cognitive maps play a braking role for change. Path dependency goes beyond these routines, it is a real process. Past events are highlighted and made important, on the other hand, if so far it has gone well so why do we have to change, running the risk of failing? This is a big dilemma. All organizational activities and processes are imprinted in history, therefore all organizational decisions and actions depend on the past path (Sydow et al., 2009).

Despite the gains of the digital transformation, more and more researchers see the negative effects of digitalization. A significant threat is the impending job loss. Digital processes and the increasing use of robot technologies will lead to employee reduction mainly in terms of low qualified jobs (Frey and Osborne, 2013). Firms within all departments struggle with the heterogeneous landscape of interfaces and integration standards.

- Firm Routines: the literature has repeatedly revealed the persistence and inflexibility of firm routines. Routines are defined here as repeated patterns of response involving interdependent activities that become reinforced through structural embeddedness and repeated use (Feldman & Pentland, 2003). Part of the explanation for routine rigidity is that organizational processes which are tightly aligned with one environment can be difficult to change, because they are self-reinforcing and are not built to adapt to discontinuities (Siggelkow, 2001; Teece, Pisano and Shuen, 1997; Tushman and Anderson, 1986).

## 2.4.3. Positive aspects of the digital transformation in organizations

Today when we talk about digital transformation we refer to all the instruments and technologies that can increase the competence, also in economic terms, of a company. Digital transformation admits companies to get to know their customers more accurately. Customers are driving the change towards digital transformation. Placing customers first in their digital strategy is the key to fully satisfying their requirements and expectations. Today customers are always connected, up-to-date and updated and expect to find relevant and interesting information on the net based on what they are doing, where they are and the device they are using. And to keep up with these types of customers, companies must comprise digital transformation to offer them a inimitable experience.

Digital transformation is also associated with increases in several dimensions of organizational performance, including innovativeness, financial performance, firm growth, reputation (Kane et al.,2016) as well as competitive advantage. In the context of entrepreneurial firms where the growth rate is nonlinear, Tumbas et al. (2015) found that successful firms put up a "digital facade" to enable connectivity with customers and business partners while later using this facade as an instrument to foster relationships with other customers and suppliers. This and other examples shows how digital technologies can, through higher customer engagement and participation, foster higher profits for firms. At a conceptual level, it has been proposed that digital technologies can support a firm's ability to sense the complexity of its environment in order to design a response that can help maximize its chances of survival through the adaptation or the redefinition of its core activities (Tanriverdi and Lim, 2017).

# Chapter Three: Dynamic capability as competitive advantage

Recent research demonstrations that the regular period for which firms are able to sustain competitive advantage has reduced over time (Wiggins and Ruefli, 2005), signifying that in hypercompetitive or high-velocity environments firms discovery it harder to achieve long-term competitive advantage. This condition implies that firms should be accomplished in such a way that they can build succeeding temporary advantages by effectively responding to following environmental astonishments (Eisenhardt and Martin, 2000). The "dynamic capabilities" approach offers one important reaction to this critical question for both managers and researchers. Since Teece et al.'s (1997) milestone article, the dynamic capabilities sight has produced an extraordinary stream of research.

A vast literature has dealt with the theme of Dynamic Capabilities (DC) and there have been several attempts to provide an explanatory theoretical framework (Zahra et al., 2006; Barreto, 2010). The efforts of scholars have concentrated in every direction, from the definition of the nature of the DC (Eisenhardt and Martin, 2000), to the research of their antecedents (Sirmon et al., 2009) and of the processes that generate them (Zollo and Winter, 2002), to the study of their impact on business performance (Zahra et al., 2006; Teece, 2007; Eisenhardt et al., 2010). However, the relationship between the available resource base and the formation of DC has been little investigated empirically (Hsu and Wang, 2012; McKelvie and Davidsson, 2009).

The capacity an enterprise has to create, adjust, hone and if necessary, replace its business model is foundational to dynamic capabilities and researchers have alternately defined dynamic capabilities as a capacity to build, integrate and reconfigure (Teece et al., 1997); integrate, reconfigure, gain and release, and match environmental change (Eisenhardt and Martin, 2000), generate and modify (Zollo and Winter, 2002) and create, extend and modify (Helfat et al., 2007) organizational routines/resources. In a later advancement Teece (2007) disaggregated dynamic capabilities into the capacity to (a) sense and shape opportunities and threats, (b) seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and when necessary reconfiguring the business enterprise's intangible and tangible assets. To sustain their competitive advantage, firms need to renew their stock of valuable resources as their external environment changes. Dynamic capabilities allow firms to effect these ongoing changes.

It allow firms continually to have a competitive advantage and may help firms to avoid developing core rigidities which inhibit development, generate inertia and stifle innovation.

Dynamic capabilities are an evolution of Resource-Based View (RBV), a theory that explains what the nature of the company is and what are the elements that promote its strategic behavior. In the field of strategic management, in the last twenty years the RBV has achieved a dominant position by proposing a vision of the company as a set of resources from which it can draw to create a sustainable competitive advantage (Barney, 1991). Priem and Butler (2001) argue that the RBV offers a vision that is too static and that it is inadequate to interpret how the competitive advantage of a company is composed in a dynamic context. The theoretical framework of dynamic capabilities is proposed as a natural evolution of the RBV offering however to scholars a new analysis plan. In the last decade, many scholars have proposed their interpretation of dynamic capabilities, fueling a constructive scientific debate that has gathered an ever-increasing number of scientific contributions.

The idea that the DC theory contrasts with the RBV is that a simple bricolage of resources is not sufficient to determine the success of companies, but it is the dynamic with which the resource base is modified and renewed to be fundamental for success. In other words, the positive or negative results of companies depend on their ability to adapt to the environment in which they operate, creating, modifying or extending their base of available resources (Helfat, 1997).

In the first part I will explain the theory of Resource-Based View and which aspects have been criticized, then the chapter will be strongly focused on dynamic capabilities, their evolution and how these can help companies to create or maintain their competitive advantage.

## 3.1. Resource-Based View theory and its criticisms

The literature on the Resource Based View (RBV) is now more than 30 years old (Barney, 1986) and is based on the idea that organizational success is the result of a mix of value-generating internal resources and market characteristics which impede competitive value erosion (Barney, 1991). In this view, firms are bundles of tangible and intangible resources and capabilities, which can create a competitive advantage by differentiating themselves from competitors. Indeed, RBV assumes that the primary driver of the firm's

durable competitive advantage and economic performance is a collection of resources that have the attributes of VRIO, which stands for Value, Rare, Inimitable and Organization (Barney, 1991). Resources are valuable when they are a significant source of profitability; rare when there is a scarcity of such resources and can only be acquired by one or very few companies; those resources should be hard to imitate; and organizations should have in place the appropriate management systems and processes to fully exploit the value embedded in such resources. These resources could be tangible and intangible and include three important categories which are physical, organizational, and human (Barney, 1991). Physical resources are typically tangible and consist of buildings and equipment, raw materials, energy, plant location, and information technology (IT). Organizational resources include formal reporting structure as well as planning, coordination, leading, and controlling management systems. Human resources include mostly intangible assets such as knowledge, skills, attitudes, and social capital of employees. Organizations may increase their competitive advantage by being more effective than competitors in developing and deploying such resources. Therefore, this perspective "explains an important route to achieving competitive advantage and corporate success in a modern economic system where firms rely far less on homogenous factors of production such as labor and capital and much more on differentiated resources such as human expertise, organizational routines, reputation, and complex linkages with customers and suppliers" (Chisholm and Nielse, 2009). More specifically, the RBV relies on two critical assumptions. Deriving from the pioneering work of Edith Penrose (1959) who suggested that in order to provide competitive advantage VRIO resources should be heterogeneous.

The first assumption refers to heterogeneous distribution of valuable resources among firms which result in different strategies to compete. Moreover, the value of such resources increases as they are bundled together to create idiosyncratic combinations which are able to solve firm-specific problems (Penrose, 1959). It follows that companies achieve competitive advantage by using their different bundles of resources and when such idiosyncratic combinations are so complex that others cannot easily duplicate or substitute for, those companies will outperform competitors (Barney, 1991).

The second assumption is related to resources immobility, which means that such resources do not move from one company to the other so that rivals cannot implement the same strategies. Amit and Schoemaker (1993) they also define the resources of the companies as negotiable and non-specific business activities and the capacity as non-

negotiable specific capabilities of the company to integrate, implement and use other resources within the company. Therefore, solid resources represent the input of a production process, while companies' capabilities are the ability to implement these particular resources (IT) to improve productivity.

The RBV approach seems to suggest that it is sufficient to acquire a specific configuration of the resource base to achieve a sustainable competitive advantage, while at the same time emphasizing that this resource base is difficult to acquire due to its VRIN characteristics. However, the creation of value does not come by itself from the possession of resources but derives from the use made of it: resources must be given a functional interpretation (Penrose, 1959). The supporters of the RBV have long incorporated within the theory the concept that resources have their own functionality, underlining that it is the responsibility of managers to understand how to use resources to obtain a competitive advantage. Another critical issue of the RBV is the problem of resource creation and decay. That is, resources have their own life cycle and are exhausted over time, creating the need to be updated or replaced. However, the RBV does not explain the way in which the resource base is created and not even how it can be modified to align it with a context in constant change; it is instead a theory that serves to explain how profits can be obtained in a situation of equilibrium and describes for this companies with a static view (Priem and Butler, 2001; Lockett, et al., 2009).

The resource-based view of the firm (RBV) is an influential theoretical framework for understanding how competitive advantage within firms is achieved and how that advantage might be sustained over time (Barney, 1991; Penrose, 1959; Peteraf, 1993; Prahalad and Hamel, 1990; Teece, Pisano and Shuen, 1997). This perspective focuses on the internal organization of firms, and so is a complement to the traditional emphasis of strategy on industry structure and strategic positioning within that structure as the determinants of competitive advantage (Porter, 1979). Recently, scholars have extended RBV to dynamic markets (Teece et al., 1997). The rationale is that RBV has not adequately explained how and why certain firms have competitive advantage in situations of rapid and unpredictable change. In these markets, where the competitive landscape is shifting, the dynamic capabilities by which firm managers 'integrate, build, and recon-figure internal and external competencies to address rapidly changing environments' (Teece et al., 1997: 516) become the source of sustained competitive advantage. The manipulation of knowledge resources, in particular, is especially critical in such markets (Grant, 1996). According to the logic of RBV, sustained competitive advantage occurs

when capabilities are not only valuable and rare, but also inimitable, immobile, and non-substitutable. Dynamic capabilities are typically valuable. They may be rare or at least not possessed by all competitors equally, as is apparent in much of the empirical research. Sustainability, however, breaks down for the latter conditions. Equifinality renders inimitability and immobility irrelevant to sustained advantage. That is, firms can gain the same capabilities from many paths, and independent of other firms. So whether they can imitate other firms or move resources, is not particularly relevant because managers of firms can discover them on their own. Dynamic capabilities are substitutable because they need to have key features in common to be effective, but they can actually be different in terms of many details. This suggests that dynamic capabilities per se can be a source of competitive, but not sustainable, advantage (Eisenhardt and Martin, 2000).

## 3.2. Defining the dynamic capability theory

Dynamic capability paradigm is relatively new in managerial literature and its origins could be dated in the 1990s, with the contributions of authors such as Teece et al. (1990; 1997), Teece and Pisano (1994) and Teece (1996). The antecedents of this paradigm could be traced back to the Carnegie School works of the 1950s and 1960s, which refer to the behavioral theory of the firm (Augier and Teece, 2009). Cyert and March (1963) introduced the concept of bounded rationality that underpins the notion of routine. In the same domain of studies Williamson (1996; 2002) and Nelson and Winter (2002) developed the paradigm of transaction cost economies and the evolutionary theory of the firm. The behavioral perspective influenced the resource based view of the firm (Barney, 1991) and eventually the dynamic capability theory (Pierce et al., 2002). In this perspective, Augier and Teece (2009), highlight a strong link between the behavioral theory of the firm and the dynamic capability paradigm:

*"Dynamic capabilities can perhaps be viewed as the 'new' behavioral theory of the firm extended to recognize the importance of intangible assets, outsourcing, offshoring, and rapid change."*

The literature on dynamic capabilities has investigated the ability of companies to maintain and sustain their competitive advantage by actively adapting to rapid environmental changes. At the heart of these studies is the idea that when the environment

evolves rapidly and in an unpredictable way, companies can reach and maintain their competitive advantage through a constant development of resources (Teece et al., 1997) and routines (Eisenhardt and Martin, 2000; Winter, 2003) able to guarantee their continuous adaptation. The growing literature on this topic has provided successive and distinct definitions of the construct (e.g., Eisenhardt and Martin, 2000; Helfat et al., 2007; Teece, 2007; Teece et al., 1997; Winter, 2003; Zahra et al., 2006; Zollo and Winter, 2002).

Teece et al. (1990) working paper is probably the first contribution developing explicitly the notion of dynamic capabilities. They wrote (1990:11) that "our view of the firm is somewhat richer than the standard resource-based view… it is not only the bundle of resources that matter, but the mechanisms by which firms learn and accumulate new skills and capabilities, and the forces that limit the rate and direction of this process". They explicated that the RBV was not able to offer elucidations as to how some effective firms demonstrated "timely responsiveness and rapid and flexible product innovation, along with the management capability to effectively coordinate and redeploy internal and external competences" (Teece and Pisano, 1994).

The dynamic capabilities view shares similar expectations to the RBV, and it can be considered as an postponement of RBV thinking, as can other related concepts, notably the knowledge-based view (Grant, 1996) and the core competence perspective (Prahalad and Hamel, 1990). They all reflect the firm to be a parcel of heterogeneous and path-dependent assets, and they all address the way in which this consents a firm to generate justifiable competitive advantage (Lockett et al., 2009).

| Eisenhardt & Martin, 2000 | Dynamic capabilities are "the firm's processes that use resources, specifically the processes to integrate, reconfigure, gain and release resources, to match or even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resources configurations as markets emerge, collide, split, evolve and die" |
|---|---|
| Zollo & Winter, 2002 | A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness. |

| Winter, 2003 | Dynamic capabilities "are those that operate to extend, modify or create ordinary capabilities" |
|---|---|
| Zahra et al., 2006 | They are "the abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker" |
| Wang & Ahmed, 2007 | Dynamic capabilities as "a firm's behavioral orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage" |
| Helfat at el, 2007 | The capacity of an organization to purposefully create, extend or modify its resource base. |

Table 1: Different definitions of dynamic capabilities (Ambrosini and Bowman, 2009).

Listing these definitions allows us to highlight that there generally is consensus about the dynamic capability construct. These definitions reflect that dynamic capabilities are organizational processes in the most general sense and that their role is to change the firm's resource base. The literature also explains that dynamic capabilities are built rather than bought in the market (Makadok, 2001), are path dependent (Zollo and Winter, 2002) and are embedded in the firm (Eisenhardt and Martin 2000). These definitions also show what dynamic capabilities are not. First, Winter (2003), Helfat et al. (2007) and Schreyögg and Kliesch-Eberl (2007) emphasize that a dynamic capability is not an ad hoc problem- solving event or a spontaneous reaction. It must contain some patterned element, i.e. it must be repeatable. Zollo and Winter (2002: 340) also make the point that dynamic capabilities are persistent and that "an organization that adapts in a creative but disjointed way to a succession of crises is not exercising a dynamic capability". Secondly, Zahra et al.'s (2006) and Helfat et al.'s (2007) definitions also clearly show that luck does not constitute a dynamic capability. They highlight that the use of dynamic capabilities is intentional, deliberate. Thirdly, the definitions show that, while dynamic capabilities are concerned with strategic change, they are not a synonym for it. They are about one type of change, the intentional change of the resource base (Ambrosini and Bowman, 2009). Dynamic capabilities, argued Teece (2007), comprise three micro-foundations: (1) sensing; (2) seizing; and (3) reconfiguration. Sensing refers to an organization's capacity

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to recognize and appraise opportunities and threats in the competitive environment, as well within its own capabilities. Sensing capabilities refer to gain knowledge about the external and internal environment and make decisions about strategic directions. Sensing involves the scanning of internal and external environments. As for as the outside the organization is concerned, sensing is an entrepreneurial set of dynamic capabilities that account for the ability of the firm into gaining knowledge about competitors, exploring technological opportunities, probing markets, listening to customers or suppliers, identifying and selecting new product and service opportunities. Sensing capabilities involve activities that create a culture of open communication, and knowledge about the organization's readiness to capture value. Seizing involves mobilizing and inspiring the organization and its stakeholders to develop organizational readiness to capture the opportunity. Strengthening ordinary capabilities and establishing best practices can strengthen readiness.

Seizing is the firm's ability to amass resources and address the opportunities and threats it has identified; include the development of the business case, its communication within the organization and to external stakeholders, raising capital, planning to execute the strategy and the implementation of organizational or business model innovations. Reconfiguration is how firms organize new and old resources for maximum value. Reconfiguration capabilities are the routines designed to sustain strategic relevance in changing markets through continuous alignment and realignment of tangible and intangible assets. Teece uses the term "reconfiguration" to refer to adaptation and repurposing capabilities (sometimes achieved through recombining existing resources) as external or organizational realities change.

 All three activities are under managerial discretion, so much of the recent work on dynamic capabilities has focused on the manager. Asset orchestration is one kind of dynamic capability thought to be embodied in particular managers or managerial teams.

In such dynamic markets, knowledge resources play a crucial role and their modification over time can lead the way to the creation of competitive advantages for the firm. Capabilities operate at organizational level (while skills are embodied in individuals) and could be defined as "*routines to execute and coordinate the variety of tasks required to perform the activity*" (Helfat et al., 2007). Capabilities define the rules of conduct and the best practices that have to be adopted by managers, employees and workers.

Following the generic definition of capabilities, dynamic capabilities could be defined as a higher order capacity, helping a firm to integrate, build, and reconfigure internal and

external resources to address and influence rapidly changing business environments (Teece et al., 1997). Such capabilities operate at the level of top management team, but they involve the entire organization.

All the authors agree upon some common aspect that determine and define dynamic capabilities as construct:

(i) Dynamic capabilities account for the ability of the firm to evolve, innovate and adapt to changing environmental conditions in a purposeful manner;

(ii) Dynamic capabilities allow the firm to modify its existing set of competencies and operational resources;

(iii) Dynamic capabilities affect the ability of the firm to modify its business model to create a sustainable competitive advantage in front of evolving market conditions;

(iv) Dynamic capabilities are a complex set of sub-capabilities or routines.

Dynamic capability research attempts to explain the process by which the company develops new competitive advantages. E.g. Teece et al. (1997) state that companies develop competitive advantages thanks to certain organizational processes, resources or routines as these allow them to integrate and reconfigure new internal and external competences. Zollo and Winter (2002) and Winter (2003) consider dynamic capabilities as activities that change even more strategic routines. Understanding what may contribute to changes in the firm is therefore a central concept. However, dynamic capabilities have been criticized for being tautological, endlessly repetitive, and not capable of being operational (Priem and Butler, 2001). In other words, there is a considerable variety in the existing literature.

Researchers within the field of dynamic capabilities are divided among those who confine dynamic capabilities to highly dynamic environments and those who accept that dynamic capabilities may be required in all environments although they may be more relevant in highly dynamic environments. Eisenhardt and Martin (2000) argue that dynamic capabilities are important not only in high-velocity markets but also in "moderately dynamic" markets, that is, those where "change occurs frequently, but along predictable and linear paths".

In contrast, Zahra et al., (2006) and Zollo and Winter (2002) point out that the volatility of the environment should not be part of dynamic capabilities. This suggests a need to

design studies perhaps with objective measures of the environment to investigate under what conditions dynamic capabilities are or are not important.

This diversity of concepts in relation to how dynamic capabilities may be defined is obviously seen in the many explanations. Generally speaking, there can be said to be three main types of descriptions (table 2 below). The first includes those definitions links dynamic capabilities to the outcomes of this activity (Griffith and Harvey, 2001). The second variation of definitions emphasis on the fact that exterior conditions in the form of a dynamic setting must be present in order to improve dynamic capabilities (Eisenhardt and Martin, 2000; Teece et al., 1997). The third type includes those dynamic capabilities which make the firm dynamic (Zahra et al., 2006; Winter, 2003; Zollo and Winter, 2002).

| Author (s) | Definitions |
|---|---|
| **Definitions focusing on the results of dynamic capabilities** | |
| Collis (1994: 145,146) | (…) organizational capabilities as the socially complex routines that determine the efficiency with which firms physically transform inputs into outputs [organizational capabilities are embedded in firm routines" (s: 145). The author defines capabilities at different levels: second and higher-level capabilities are "dynamic" capabilities. "This captures in a single definition both capabilities as a direct improvement of efficiency (…) and as the ability to conceive of new ways to create value (s: 146). |
| Dosi, Nelson & Winter (2000: 6) | "A successful large corporation derives competitive strength from its excellence in a small number of capabilities clusters where it can sustain a leadership position over time. This come very close to the concept of "dynamic capabilities" advanced by Teece et el. (1997)". |
| Griffith & Harvey (2001: 598) | A global dynamic capability is the creation of difficult-to-imitate combinations of resources, including effective coordination of inter-organizational relationship, on a global basis that can provide a firm a competitive advantage. |
| Hoopes, Madsen & Walker (2003: 893) | (…) is located in those activities wehere key innovations improve the value or cost of a firm's product or service. Lacking this capability, a firm cannot overcome the onslaught of subsequent start-up innovations and thereby cannot develop a |

| | V-C profile consistently superior to rival's profiles. |
|---|---|
| **Definitions focusing on the presence of external conditions** | |
| Teece & Pisano (1994: 541) | The subset of the competences/capabilities which allow the firm to create new products and processes and respond to changing market circumstances. |
| Teece et al. (1997: 516) | The firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. |
| Eisenhardt & Martin (2000: 1107) | The firm's processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match or even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resources configurations as market emerge, collide, split, evolve and die. |
| Rindova & Taylor (2002: 6) | (…) dynamic capabilities can be understood as change processes unfolding at two levels: a micro-evolution through "upgrading the management capabilities of the firm' and a macro-evolution associated with developing new competencies in order to respond to changing customer demands (reconfiguring market competencies). |
| **Definitions focusing on abilities or activities which make the firm dynamic** | |
| Zollo & Winter (2002: 340) | A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness. |
| Winter (2003: 991) | (…) those that operate to extend, modifiy or create ordinary capabilities. |
| Zahra et al. (2006: 924) | We view dynamic capabilities as the abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by the firm' principal decision-maker(s). |

Table 2: Main types of dynamic capability's definitions (Madsen, 2010)

In other words, the dynamic capabilities can be acquired and developed in themselves. This is something else than only the ability to solve a problem (an operational/ordinary capability) or the presence of rapidly changing challenges/problems (an environmental

characteristic). Build upon the definitions of Zahra et al. (2006), Winter and Zollo (2002) and Teece et al. (1997),  define dynamic capabilities as:

*"Dynamic capabilities are acquired abilities which enable the firm to integrate, build/develop and reconfigure internal and external resources of the firm and ordinary capabilities in the manner, assumed and regarded as appropriate by the principal decision maker(s) in the firm."*

In addition to that mentioned above, this definition also takes into consideration that the firm's resources may be broadly found outside the organisation (Eisenhardt and Martin, 2000; Teece et al., 1997), and that this may contribute to the development of the ordinary capabilities and existing resources.

## 3.2.1. Dynamic capability outcome

In their initial formulation Teece, et al. (1997) affirm that the DCs are not only organizational but also managerial processes that aim to give a competitive advantage to the enterprise through three mechanisms:

 (i)  Coordination and integration capabilities define the way in which the firm evaluates the quality of present resources and integrates them in order to create new capabilities. Coordination and integration capabilities allow the firm to identify and exploit the capabilities that show a high value-creating potential in dynamic and changing environments. Following the works of Sanchez and Heine (1996), it is possible to describe such set of high order capabilities as involving the processes of: data and information gathering and integration, decision communication, and consequent resource allocation.

(ii)  Learning capabilities provide the adequate organisational agility and readiness to support innovation processes. Through this set of capabilities the firm explores new ways of creating sustainable value through the exploitation of the existing set of resources. Learning capabilities take place at the organisational level, integrating individual knowledge and insights and they represent the ability of the firm to develop learning paths aggregating individual knowledge and turning it into a valuable organisational resource.

(iii) <u>Reconfiguration capabilities</u> are the ones that enable the firm to provide a strategic competitive response to environmental dynamics. Such sub-set of capabilities is strictly related to the activity of identifying emerging opportunities and configure business model components to fit with them.

All the processes that use these mechanisms constitute a DC. The development of these processes, however, is defined at the level of the individual company: it depends on the positioning of the company (i.e. the current situation) and the paths it has taken in the past. The positioning that influences the development of the DC is both the internal one (that is the stock of technological, complementary, financial, reputational and structural assets) and the external one (i.e. the stock of institutional assets, the market structure and the company boundaries) and represents the current strategic posture of the company. The paths instead refer to the strategic choices put into effect in the past that constitute the baggage of experience of a company. In other words, the antecedents on which the development of DCs within a company depends are its past history and its current situation. It is the continuous and repeated practice mechanisms (repeated practice), past mistakes (past mistakes) and experience (pacing of experience) that allow the DC to evolve as they better describe what is behind the current situation and to the past history of the company. Zollo and Winter (2002) also confirm the primary role of learning mechanisms in the creation of DCs, also emphasizing the importance of more intentional cognitive processes such as articulation and codification of know-how.

## 3.2.2. Dynamic capability framework

In general, two approaches are made in the literature towards a definition of dynamic capabilities. The first approach deliberates dynamic capabilities as an evolutionary process in three steps: searching (variation), selection (evaluation) and routinization (retention/enactment) (Zollo and Winter, 2002; Zott, 2003). In the first phase, the company tries to generate new ideas and also looks for various ways to manage and solve problems. This is the result of external stimuli together with information that is generated internally, which often derives from routines consolidated in the company. The potential of the generated ideas is evaluated, also on the basis of previous experiences. Subsequently the ideas are implemented. This is a form of routinization that occurs through the implementation of ideas.

The second approach explains dynamic capabilities as structural procedures and mechanisms which shape, reconfigure, mix, reorganize and release internal and external resources in response to environmental changes (Eisenhardt and Martin, 2000; Teece et al., 1997). Teece et al. (1997) identify three organizational and leadership key processes essential to dynamic capabilities. These are: (1) The coordination and integration of both internal and external activities; (2) Learning, seen as 'social and collective', and defined as repetition and experimenting, enabling functions to be executed better and faster; (3) Reconfiguration and reorganization of resources based on observation of the market and technological environment. A corresponding classification is given by Eisenhardt and Martin (2000), who consider that dynamic capabilities may be grouped into three main categories: (1) dynamic capabilities which integrate resources (strategic decision-making routines and product development routines); (2) dynamic capabilities which emphasis on the reconfiguration of interior resources (resource placement/adaptation and copying process, management cooperation routines, strategic resource allocation routines for adjustment to the market); (3) dynamic capabilities which acquire and release resources (alliance and achievement routines, internal knowledge-creation routines, routines for releasing/removal of resources). In general dynamic capabilities framework can be structured of strategic and operational processes (Güttel and Konlechner, 2009). Strategic processes mostly relates to sensing and seizing new opportunities in the dynamic environment (Teece, 2007). Therefore these processes determine the formation of company's strategy. Operational processes, mostly relates to reconfiguring internal or external competencies and shaping operational routines in the company (Ridder, 2012).

## 3.3. Dynamic capability and organizational performance

There is no unanimous consensus in the literature on what are the link between the DCs and the performance of companies and therefore the debate on the subject is still to be considered open. Teece et al. (1997) in their original formulation they define the DCs as those capacities that allow companies to obtain a competitive advantage and therefore bind them directly to obtaining superior performances. More recently, Teece (2007) reinforces his convictions by declaring that the theoretical construct of the DCs serves precisely to explain what the source of competitive advantage is and that the DCs reside at the base of the success (or failure) of a company. Although there are other scholars who support the same line of thought (Makadok, 2001; Zollo and Winter, 2002), this way of reasoning has been criticized for being circular since a good definition should not

define a concept in terms of its results (Zahra et al., 2006; Ambrosini and Bowman, 2009). Subsequently some scholars have expressed their perplexity on the existence of a direct link between DC and performance. Zott (2003) argues that a link between DC and performance exists but is indirect since DCs aim to change the resource base, routines and skills of an enterprise with a view to improving economic performance. This does not mean that the result is guaranteed: two companies with the exact same DC could build a different resource base and consequently obtain different performances. Also Barreto (2010) belongs to the same school of thought and concludes that the approach that suggests the existence of an indirect link between DC and performance is the most convincing and is at the same time consistent with the first formulations that indicate the DC as a foundation of the strategic behavior of the company. A direct relationship between dynamic capabilities and a firm's value creation and competitive advantage remains tenuous. Whilst there has been a substantial debate on this issue there is emerging consensus that dynamic capabilities may not directly lead to competitive advantage but provide a foundation for competitive advantage through new resource combination through the deployment of dynamic capabilities (Cepeda and Vera, 2007; Eisenhardt and Martin, 2000). In an effort to avoid a possible tautology associated with dynamic capabilities several authors propose the need to differentiate dynamic capabilities from operational capabilities (Zahra et al., 2006; Zollo and Winter, 2002). As such, the value of dynamic capabilities lies in the set, and its configuration, of operational capabilities that they create (Eisenhardt and Martin, 2000; Helfat and Peteraf, 2003; Zollo and Winter, 2002). Whilst this distinction has gained wider acceptance (Cepeda and Vera, 2007; Helfat and Peteraf, 2003; Zahra et al., 2006) in the recent literature, research examining how dynamic capabilities interplay with operational capabilities in a firm's primary value creation strategy is limited.

On the other hand, Eisenhardt and Martin (2000) argue that DCs are a necessary but not sufficient condition for obtaining a competitive advantage. The application of the DCs in itself does not lead to superior performance, but allows to modify the base of available resources which, in line with the RBV approach, has a direct link with the performance of the company. Also Zahra, et al. (2006) argue that the link between DC and performance is not direct and adds that this link passes from the quality of the substantive capabilities modified by the DCs. If the substantive capabilities on which the DCs intervene are mediocre and continue to be so after reconfiguration, the result does not lead to a competitive advantage. Zahra, Sapienza and Davidsson (2006) define substantive

capabilities as the set of capabilities and resources dedicated to solving a problem, while dynamic capabilities consist of the ability to alter suspending capabilities: "We refer [...] to the set of abilities and resources that go into solving a problem or achieving an outcome as a substantive (or 'ordinary') capability. We distinguish substantive capability from the dynamic ability to change or reconfigure existing substantive capabilities, which we term as the firm's dynamic capabilities. Thus the qualifier 'dynamic' distinguishes one type of ability (e.g. the substantive ability to develop new products) from another type of ability (e.g. the ability to reform the way the firm develops new products). A new routine for product development is a new substantive capability but the ability to change such capabilities is a dynamic capability".

According to the dynamic capabilities view, it is not sufficient for firms to simply possess resources; they must be able to develop, recombine, and deploy internal competencies that maximize congruence with the requirements of changing environments (Eisenhardt and Martin, 2000). Dynamic capabilities allow a firm to leverage its internal assets, not only to satisfy current environmental demands but also to influence environmental demands so that these demands correspond with the firm's strengths or requirements.

Recent work has emphasized the role of managers in identifying new or underutilized resources, devising ways to integrate them into their firm's activities, and subsequently transforming existing processes to respond to changes in the competitive environment. This broad set of activities has been termed "asset orchestration" by scholars of dynamic capabilities, but few specific examples have been offered to demonstrate how this capability operates in practice and which contingencies constrain its impact on firm performance. Scholars of strategic management have asserted that firm-level differences in capabilities, or sets of routines firms develop to perform a given activity (Winter, 2003), are fundamental to understanding differences in performance (Barney, 1991; Dosi, Nelson and Winter, 2000). This stream of research has more recently focused on the importance of a specific set of capabilities, dynamic capabilities (e.g., Teece, 2007; Teece, Pisano and Shuen, 1997), including dynamic managerial capabilities (Helfat et al., 2007), which allow managers to change their firm's resource base in response to changes in the competitive environment. One kind of dynamic managerial capability is asset orchestration, which Teece (2007: 1397) defined as "identifying complementarities, buying or building missing assets and then aligning them." An influential literature in strategy research has identified capabilities, or collections of organizational routines (Winter, 2003), as a source of superior performance. In this perspective, differences in

these capabilities help to explain heterogeneity in performance across firms, the fundamental question in strategic management research. However, as competition becomes more intense and the operating environment becomes less predictable, firms struggle to leverage existing capabilities to maintain competitive advantage. Teece et al. (1997) identified dynamic capabilities as those capabilities that allow firms to add, jettison, or rejuvenate operational capabilities in response to change. Dynamic capabilities do not directly impact output but rather indirectly influence performance through changing existing capabilities (Helfat et al., 2007; Zott, 2003).

## 3.4. Dynamic capability and sustainable competitive advantage

Several theorists have argued that dynamic capabilities are a source of competitive advantage (Makadok, 2001; Teece et al., 1997), whereas others have suggested that such capabilities may not be a source of sustainable competitive advantage (Eisenhardt and Martin, 2000) because, though often valuable, they may be equifinal and, hence, neither inimitable nor immobile (Zott, 2003). Although $21^{st}$ century skills and digital skills are both seen as crucial, the combination is not yet sufficiently defined. Such skills are critical for both people and organizations for keeping up with developments and innovating products and processes. Lewin and McNicol (2015) state that the growing impact of globalization and the knowledge society have led many to argue that $21^{st}$ century skills are essential to be successful in the workplace and that ICT is central to their development. Importantly, these skills go beyond the mere technical annotation. How someone thinks, solves problems, and learns, has a greater impact on a person's ability to function in a technologically rich society than just being knowledgeable about specific software (Claro et al., 2012). Claro et al. (2012), consider $21^{st}$-century digital skills as: (1) the mastery of ICT applications to solve cognitive tasks at work; (2) skills that are not technology-driven, as they do not refer to the use of any particular software program; (3) skills that support higher-order thinking processes; and (4) skills related to cognitive processes favoring employees' continuous learning. Digital competence covers information management, collaboration, communication and sharing, creation of content and knowledge, ethics and responsibility, evaluation and problem solving and technical operations.

In recent years, the debate regarding organizational theory and strategy has shifted from the sustainability of competitive advantage to the capacity to manage innovation and

change (Brown and Eisenhardt, 1997; Tushman and O'Really, 1997; Christensen, 1998). Management scholars have emphasized the virtues of product development in driving continuous change. New products have been indicated as the most natural driving force behind change and renewal at the corporate level (Daneels, 2002). Introducing new products in the market on a regular basis has been considered the most effective way of turning change into an endemic and continuous process. It has also been maintained that it is mainly through the product development process that organizations perform their critical role of integrating dispersed knowledge of a different nature mainly, scientific, technological, marketing in an innovative way (Grant, 1996), and thus generate effective, new knowledge. In this connection, the 'dynamic' resource-based view of the firm identifies dynamic capabilities as the main source of sustainable competitive advantage in a changing competitive landscape (Teece and Pisano, 1994; Teece et al., 1997). A major challenge incumbents face is the competing concern of needing to balance the exploitation of existing capabilities while also building new digital capabilities that are compatible with the path dependencies of the past. However, despite these tensions, the building of capabilities for digital transformation has received limited scholarly attention and is now an essential context for the study of strategic change.

So before the researcher looked at dynamic capabilities as a form of sustainability of the competitive advantage but now, a more recent literature no longer refer at competitive advantage but look at dynamic capabilities as something related to innovation.

## 3.4.1. The relationship between dynamic capability and innovation

In 1934, Shumpeter was the first researcher to express innovation as new products or processes, as well as new foundations of supply, new markets, or even new ways of organizing business. Presently scholars (Ahmed, 1998; Rogers, 2003; Damanpour and Schneider, 2006; Goffin and Mitchell, 2010; Norman and Verganti, 2012) highlight innovation as procedure that can be continually repeated and can manifest in many forms. The purpose of innovation is to use current conditions and chances, which have shaped in environment, in order to edge new value and gain competitive advantage (Damanpour and Schneider, 2006; Dobni, 2008). Enduring implementation and realization of innovation safeguards high competitive advantage of whole enterprise. Therefore in todays' international markets innovations are considered to be the foundation of

inevitable changes (Bekkers et al., 2011). Thus, in general innovation is a process, supposed as aiming various innovations in different activities: by producing products, creating services, making new brands, installing new management systems, forming new economic or public value, and etc.

Innovations may be measured as a process of different actions, i.e. responding to dynamic changes and improving existing products, services, capabilities, business models, etc. Similarly innovations may be considered as an consequence, i.e. responding to high competition and developing new products, services, technologies, creating new business models, markets, etc. (Jimenez-Jimenez and Sanz-Valle, 2011). This authors add that mostly in scientific literature innovations are theorized as the adapter of new thoughts, results or changed performance. Scholars also distinguishes number of innovation types in the literature, but since the drive is to analyze innovation as a mediating concept in respective relations, this paper adopts a all-encompassing concept of innovation. Many definitions of dynamic capabilities point to the reputation of innovation as well as change and organizational absorbing, which is related to amassing processes, pioneering procedures, coordinating processes, and deploying developments.

Dynamic capabilities are about change. To identify the need or opportunity for change and to accomplish this change, the organization uses processes: search processes, decision-making processes, change management processes, and others. However, the relationship between process and dynamic capabilities is often left unstated or implied.

There are two ways in which managerial and organizational processes are part of the functioning of dynamic capabilities; they are mechanisms by which dynamic capabilities are put into use and mechanisms by which organizations can develop dynamic capabilities (Helfat et al., 2007). Processes are also used to develop dynamic capabilities. Capabilities, operational or dynamic, generally cannot be acquired in factor markets; therefore they have to be developed. This development, both origination of new dynamic capabilities and improvement of existing ones, can occur through organizational learning processes (Zollo and Winter, 2002) and investment processes. Some types of processes such as resource allocation, practice transfer, and patching (Siggelkow, 2001) are clearly relevant to dynamic capabilities because they directly deal with changes to the resource position of an organization.

Although strategy process is by its nature dynamic, not all strategy process concerns change. Chakravarthy and White (2002) note that strategy process is both about change and "about being" arguing that "even maintaining a steady state requires a process" (p.

186). This distinction between processes to maintain the steady state and processes that contribute to change parallels the distinction between operational and dynamic capabilities. Just as there are operational capabilities that enable firms to performing their ongoing tasks of making a living, there are processes that, while dynamic (as all processes are), are used to maintain the status quo. In contrast, there are processes that help bring about change.

# Chapter Four: Methodology and research design

## 4.1. Research methodology

After having clarified the research question and briefly recalled the reasons behind this research, it is appropriate to explain the methodological choices.
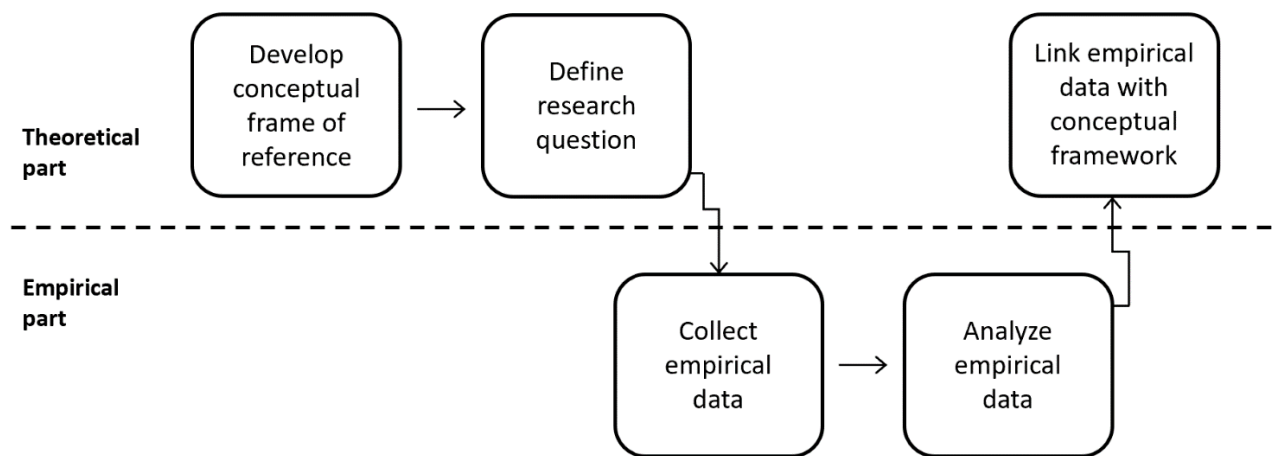
Figure 1: Research process

This research aims to analyze the relationship between heritage and digital transformation. The idea behind this research is to consider heritage as a dynamic capability, that is, a skill that can be "activated or not" depending on the situation.

A literature review on digital transformation has shown that heritage often plays a "conservative" role, a sort of resistance to changes, especially digital ones. The history, traditions, people and strategies that characterized that company have created a trajectory that is difficult to change.

Starting from a general question: *Can heritage be considered a dynamic capability that guides the digital transformation process?* I then focused on: *To which of the 3 dynamic capabilities can the heritage be traced? Is it possible to hypothesize the conditions for activating the heritage?*.

The heritage construct is often linked to the concept of family business, craftsmanship and product quality. But more generally, enhancing the history of a company, making it

relevant for the present and for the future, it allows brands to differentiate themselves and create a competitive advantage, to communicate their values, create an emotional connection with the consumer and affirm their own authenticity.

To answer the research question that guided this study, we used, starting from an inductive research model based on the case study, one of the most used tools of the qualitative methodology: the interview.

Qualitative research intends to understand how people in a certain social setting experience and perceives things (Creswell, 2014). Such is generally considered appropriate by means of creating clarity within a specific field, concept, phenomenon or research topic marked by confusion or ambiguity.

The study progressed through three different stages (Figure 2). The first stage concerns desk analysis about heritage and digital transformation; the second stage involved the identification of sectors and companies for which an in-depth qualitative case study could take place. After considering a number of sectors the researches decided to focus on Champagne industry; as a sector characterized by strong heritage and strong tradition. During the third stage, the researchers collected data in Maison Taittinger during periodic visits over a fourth-month period in 2019.

The research steps are explained in detail below.

| Desk analysis about heritage and digital transformation |
| :---: |
| Analysis of champagne sector |
| Interviews and analysis of secondary sources |
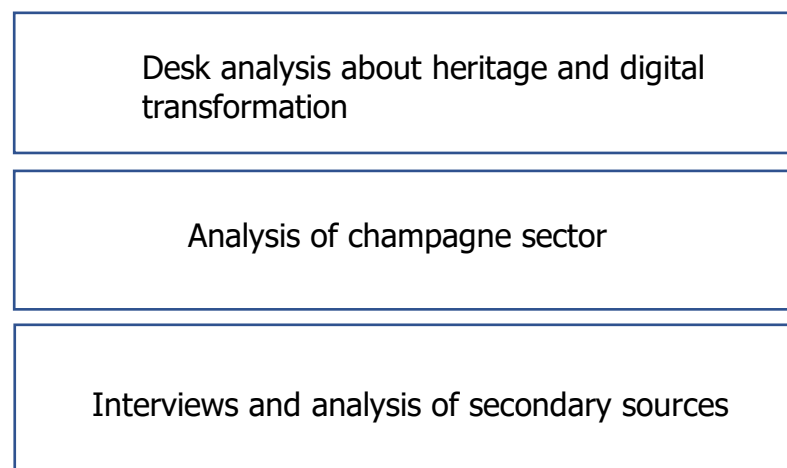
Figure 2: Research step

## 4.2. Desk analysis about the constructs

I started from a detailed bibliographic research on the 2 founding constructs of this research: digital transformation and heritage. In addition, a literature review on the topic "dynamic capability" was also carried out to answer the research question.

Defining these constructs has allowed me to have a greater command of the scientific literature on these issues; it helped me to select and create a scientific ground for the discussion of the cases I selected and finally, it allowed me to process the data with the grounded theory method.

## 4.3. Analysis of the champagne sector

The attached table includes the list of the major Champagne houses and how they use social media, e-commerce, website. In addition, initiatives related to digital transformation have been reported. This step allowed me to identify the two case studies (Maison Taittinger and Maison Krug) which will be studied in depth in the next chapter.

## 4.3.1. Case study

Yin (2003) identifies four different types of case study designs: single case vs. multiple case, and holistic case vs. embedded cases. While single-case studies are often to provide extreme or unique examples of a certain phenomenon and involve a comprehensive analysis of one case, their goal is to develop, create and refine theoretical concepts (Yin, 2003). They are usually providing insights of individual cases, such as a certain company, a definite project of an organization or a specific individual or group of people (Stake, 1995).

Multiple-case studies contribute with great possibilities of developing a theory by comparing the various findings from each case study by means of replication or elaborating on the differences and have therefore been described as a ubiquitous method in management research (Eisenhardt and Graebner, 2007).

Also, Yin (2003) differentiate in: exploratory and explanatory cases, the first can help the researcher in drawing the premises of future researches, while the second kind of case

can help in casual investigations. <u>Descriptive</u> cases, on the other hand, show the application of an already developed theory and its implications. <u>Multiple case studies</u> are used when the researcher needs to develop a deep understanding of the different applications of the same phenomenon.

I conducted my study with a multiple case study approach focused on 2 case companies in the champagne industry.

As proposed by Eisenhardt (1989) theory building is more valid from multiple case studies, especially in new areas of research with little prior theory and empirical evidence, which supports my research strategy, due to the limited scientific research in the area of dynamic capabilities in combination with heritage.

In the study of the exploratory case (both on single and multiple cases) fieldwork and data collection are undertaken before defining the subject of the study, the questions of the study and the interpretative hypotheses, as a prelude to other studies. The study of the exploratory case, in fact, is adopted when the research is uncertain about some aspects of the "real" study (the questions to ask, the hypotheses to be validated, the collection methods to be used) and therefore needs to clarify these aspects.

Given the exploratory nature of my research question and the lack of theoretical knowledge about how heritage and digital transformation are linked in a positive way, this thesis employed a qualitative approach (Eisenhardt, 1989). I used an inductive logic, both building on the past literature and providing contextually grounded new insights, in order to generate theory (Eisenhardt, 1989; Yin, 2014). The decision to use a combination of both primary and secondary data stem in the assumption that it is considered highly favorable for a study to gather information from two different kinds of sources.

As suggested by Yin (1984) I included multiple sources of evidence and collected data through documentary analysis, semi-structured interviews with 7 top managers. Semi-structured audio-recorded interviews of directors and managers comprised the primary mode of data collection. The interviews lasted between 45 and 60 minutes. The researcher took reflective field notes before, during and after these interviews.

Further, the researcher scrutinized company documents and archival materials (e.g., corporate communication reports, strategy documents, annual reports, in house and customer magazines, historical archived materials, along with documents in the public domain such the company website). The author was thus able to familiarize themselves with the company's past in order to better understand the company's provenance.

In particular whether the boundaries between the context and the phenomenon are not clear (Yin, 2003). Furthermore, case studies have interpretative advantages which are useful in the explorative phase of a study (Larsson and Lubatkin, 2001).

To respond optimally to research questions, 2 case studies were taken with important explorer purposes. There is no preexisting research on this specific topic. Furthermore, an exploratory approach turns out to be the most suitable as the constructs used in this research are borderline between multiple areas.

Case study methodology could be applied under the following conditions: (i) it is important to analyze a phenomenon in real-life context; (ii) the boundaries between context and phenomenon are blurred and impossible to determine in an accurate manner before the research (Gibbert et al., 2008).

Case study research, uses empirical evidence derived mostly from interviews, documents and artifacts generated by organisations and social groups, in an attempt to study a phenomenon or matter in its own context (Myers, 2013). Stake (1995) and Yin (2003), as well as several other authors, agree on the fact that case study research could not be defined as a mere sampling one. In fact, the selection of cases should be approached in a way allowing the researcher to maximize the take outs during the time of the study. The selection of cases might take place in different ways (Eisenhardt, 1989):

(i) Sampling from chosen population. This method reduces the interference of factors brought by external forces and, at the same time, better defines the scope and the domain of the findings.

(ii) Theoretical sampling. This method selects cases depending on theoretical needs and reasons and not statistical ones (Glaser & Strauss, 1967).

Even though the analysis of "extreme" cases permits a richer observation of the phenomenon of interest, it is also relevant to select cases that might permit to replicate or extend theory, especially the emerging ones (Harris & Sutton, 1986).

The case studies are concentrated on a limited number of aspects foreseen by the research. In order to provide an equally rich vision, multiple sources are used. Different research data, different subjects and even, a different methodology can be used which allows the researcher to have an overview of his/her research theme. The way in which the validity

of the research process is achieved is called triangulation. Denzin (1984) suggests the existence of four different types of research triangulation:

(i) data source triangulation;
(ii) investigator triangulation;
(iii) theory triangulation; (iv)methodological triangulation.

Triangulation provides construct validity through the multiple sources of evidence as well as the specification of the unit of analysis (Yin, 2003; Tellis, 1997).

Yin (2003) as well as Stake (1995) provide several methods on how to bind a case through the definition of different set of possible boundaries such as: (i) time and space (Creswell, 2003); (ii) time and activity; definitions and context.

Case study procedures involve the preparation for data collection, the distribution of questionnaires or the conduction of interviews. Data collection, in case study methodology, is a critical research design issue as it has a direct impact on the overall research validity. The operational data could come in different forms and might require different ways and methods for collecting them. Yin (2003) identifies six sources of evidence:

(i) Documentation;
(ii) Archivial records;
(iii) Interviews;
(iv) Direct observation;
(v) Participant observation;
(vi)Physical artifacts.

In general, the analysis of sources such as archival documents and various documents should act as support for the interviews. We can also have types of the latter, depending on the  research questions, the observation unit and the purpose of the research. Broadly speaking, interviews might be clustered into three categories: open-ended; focused and structured.

Direct observation occurs when the researcher makes on site visits to gather data. Observation might happen in a casual or formally structured manner and, in order to guarantee a higher level of reliability in the collection of data, several researchers might be employed on this task. Participant observation is the only observation technique that

enables the researcher to directly take part in the events that are the object of the study. This methodology for data collection is very common in anthropological studies. Artifacts collection during site visits might be another source of information providing physical evidence for the research.

The analytical strategy is in place during the analysis stage of the research process, when the data and evidences have already been collected through the adequate mix of sources of information. This strategy helps researcher in defining what is going to be analysed and drawing the determinants and motivations of this choice. There are several techniques for the analysis of collected data and information. Yin (2003) and Trochim (1989) suggest different techniques such as: pattern-matching; explanation-building and time-series analysis.

## 4.3.1.1. Case selection

According to the procedure of qualitative research (Cardano, 2011), the choice of the 2 empirical contexts within which the work was carried out is to be related to the research questions.

Considering case study research, several authors have described the importance of sampling strategy and argued that appropriate selection of cases might be of crucial importance when conducting multiple case studies (Eisenhardt, 1989; Stake, 2005). Authors have outlined that cases shall be selected purposefully to explore the purpose of the study thoroughly and with a certain depth (Pratt, 2008). This is confirmed by Eisenhardt (1989), who supports the importance of selecting cases for theoretical reasons and not randomly or because of statistical purposes.

## Case 1: Maison Taittinger

One of the most historic companies, founded in 1734.

It is clear to the management of the company under study that in order to survive they will have to change, but at the same time they are held back by the awareness of having a very strong past and by the desire to maintain some "human roles" in order to preserve the craftsmanship and savoir faire; distinctive elements of their company. In fact, from the analysis of the sector carried out, other companies are already working to digitize production and also other organizational processes, while this company is proceeding with small steps, aware of the great power it has within it. First of all, by the CEO himself,

who is still an heir of the family that founded this house and attached to the historical values of the house, who holds firm to the aim of keeping this company completely "human" in its roles.

The first step was to analyze the champagne sector and the reference market, not only through primary sources but also with on-site visits. This has allowed us to understand how the champagne companies are getting ready. Who are the pioneers and who, on the other hand, is having difficulty digitizing. In a more general perspective, it has allowed us to understand at what level of digitization this sector is today. After this in-depth industry analysis, we selected a case that was appropriate for the purposes of our research. It is one of the oldest champagne houses, has a strong attachment to its heritage in fact, has remained an independent house and its leader is still an heir of the founding family. To date, this company is opening up to the world of digitalization, albeit with some doubts. The possibility of staying 4 months in Reims has allowed us to explore and study the world of champagne and at what point it is in terms of digitization. Primary sources, databases, archives and websites have been analyzed.

*Phase 2: Key-Players Interviews*

The goal was to interview all the relevant people implicated in digital transformation projects, and collect their perspectives on the process. To this effect, face-to-face interviews were the preferred tool. Beside semi-structured interviews, the data were gathered from multiple sources (both internal and official documents) in order to increase their reliability and to contrast information from official and non- official sources. Furthermore, direct observation provided an additional important source of information (Strauss & Corbin, 1998). 7 Interviews were made (Table 1).

The type of interview chosen is a semi-structured interview, in fact, these are questions that leave the interviewees the right space for discussion but which limit their normal tendency to do storytelling connected to the history and initiatives of their organization. The choice to opt for a semi-structured interview and not on a form of analysis such as the questionnaire is part of the need to conduct a qualitative survey that the quantitative data of a questionnaire would not have allowed to carry out on such a limited sample as the one analyzed it's available.

| Company | Position within Company | Date | Lenght |
|---|---|---|---|
| Maison Taittinger | Digital Communication Manager | 18-06-2019 | 00.70.00 |
| Maison Taittinger | Marketing Manager | 18-06-2019 | 01.05.00 |
| Maison Taittinger | Finance Manager | 5-07-2019 | 00.50.00 |
| Maison Taittinger | Human Resource Manager | 5-07-2019 | 01.00.00 |
| Maison Taittinger | Vineyard Manager | 10-10-2019 | 00.30.00 |
| Maison Taittinger | Head of cellar | 11-10-2019 | 00.45.00 |
| Maison Taittinger | General Director | 11-10-2019 | 01.10.00 |
| Maison Taittinger | Logistic Manager | 11-10-2019 | 00.57.00 |

Table 1: Interviews made in Maison Taittinger.


## Case 2: Maison Krug

Founded in 1843 by Johann-Joseph Krug, it is now managed by the fifth generation of the Krug family despite being owned by the large group Louis Vuitton Moët Hennessy (LVMH).

In the champagne sector, it is one of the pioneering companies in the world of digitization, for example through the QR code it is possible to trace the bottle, vintage, vineyard, person who worked, etc.

What distinguishes this house is the reinterpretation of the brand and company heritage and the myth of the founder.

Demonstrating the allure of a product by relying on the other senses is a unique approach that was enhanced and supported by Krug's digital touch points.

"*A consumer cannot sample a beverage online in the same way he or she cannot touch a handbag or try on a shoe. However, by creating an audible initiative that allows users to connect with the brand through a multi-sensory experience, Krug has put itself in position to create a deeper and more meaningful connection to the user*" (website).

This Maison will be analyzed through secondary sources: videos, articles, texts, website.

In the next chapter the two case studies will be analyzed while in the 6th and last chapter the results will be exposed with the aim of comparing these two houses. Both historical, with a strong attachment to their past. One (Maison Taittinger) remained independent while the other (Maison Krug) is part of a large multinational such as LVMH. The goal will be to compare these two companies and see what strategy they are using to digitize, trying to reinterpret their heritage; in a few words how to make the past and present speak trough dynamic capability.

## 4.4. Interviews and analysis of secondary resources

### 4.4.1. Grounded theory

The analysis of the collected empirical material (parts of interviews, archival documents, texts, articles, field survey) is substantially attributable to three procedures (Cardano, 2011): the segmentation of the empirical documentation, the qualification of the segments and the identification of relationships between the conceptual and analytical attributes assigned to the segments. This procedure can be obtained by following different analytical paths, which refer to various debates and schools of thought. In the case of my research, I proceeded drawing inspiration from the theoretical and methodological orientations of Grounded Theory (GT), which originates from the mother text of Glaser and Strauss (1967) and subsequent developments.

This theory proposes a text segmentation work based on coding (labeling), consisting in attributing descriptive "labels" to the entire textual corpus. This allows you to summarize the text and reduce it into sequences.

It is a long and analytical phase, which nevertheless allows on the one hand to "gain confidence and security" with the textual corpus and, on the other, to recall the months of research and the particular state of immersion associated with them, interposing however also a certain critical distance, in a simultaneous process of analytical familiarization and emotional distancing. This procedure was also carried out by a colleague of mine, the cross verification allows on the one hand a comparison and on the other side eliminates the possibility of assigning subjective labels. Kappa di Cohen = 0,83 Near perfect agreement.

I then proceeded to a second reading of the entire textual corpus and, on the basis of the labels previously attributed, I performed the so-called focused coding: through the

comparison of the materials and the rereading, a series of macro categories is made up, which bring together the categories emerged through the initial coding. In this phase, the first connections and relationships between macro categories also emerged, through which the interpretation process gradually developed.

The GT provides, at this point, identification of relationships between the conceptual and analytical attributes assigned to the segments. The coding tree, with the 3 orders, is shown in figure 6.
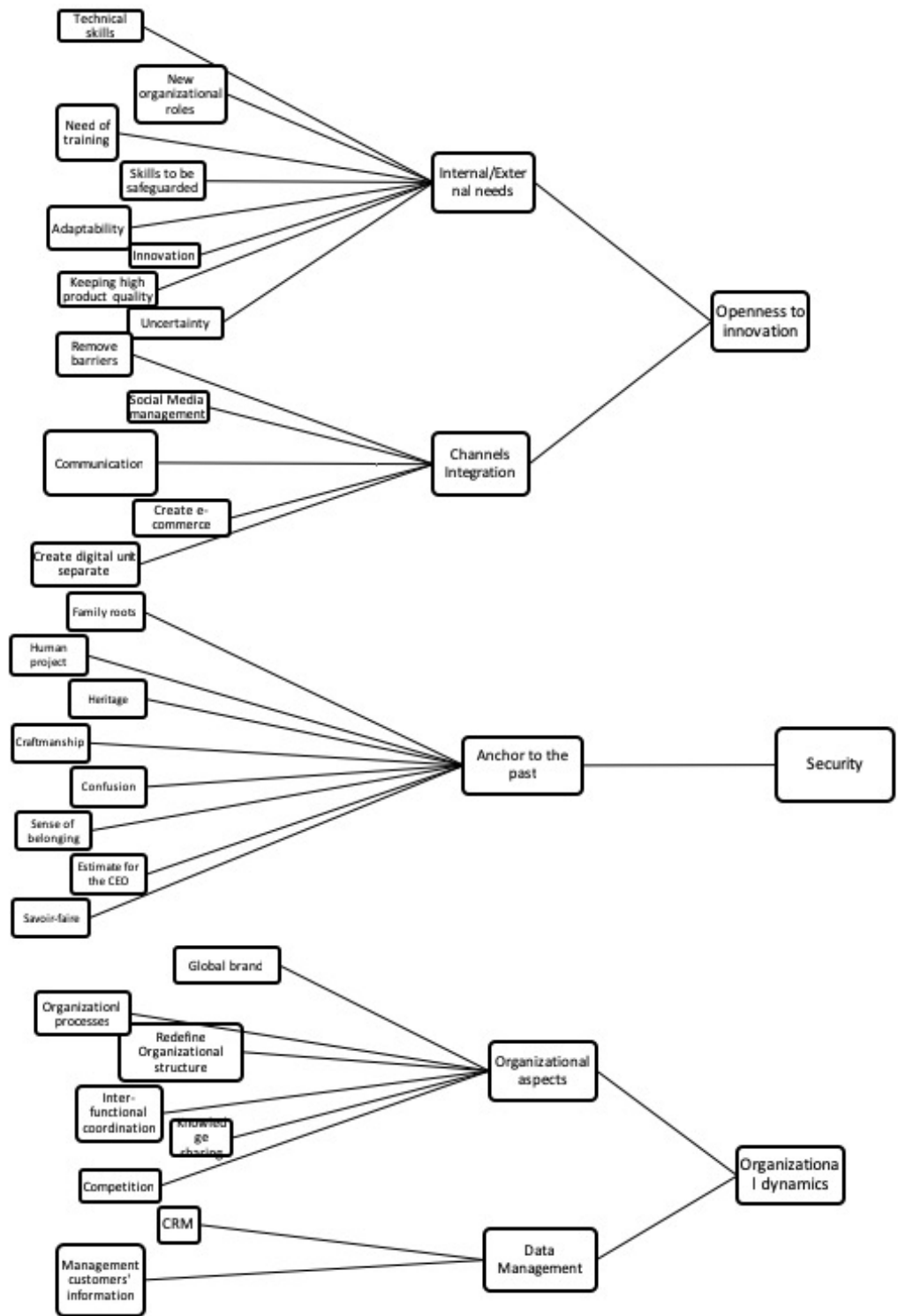
Figure 3: Results coding

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# Chapter Five: Champagne sector and analysis of two case studies

In the last years, luxury has experienced a multiplicity of transformations from different perspectives. The opening up of the fast-growing economies to luxury has disrupted its essence and identity by bringing in a stratification of the levels in luxury, an expansion of customers' segments and a new mode of operationalization for luxury brands: the digitalization of luxury. Luxury brands have long refused to invest in e-commerce, considering digital as a mass channel and a threat to the network of physical shops. The sector was therefore the one most behind in the digital transformation.

Luxury and digital are no longer incompatible. It is no coincidence that LVHM hired Ian Rogers, a former Apple Music executive, as Digital Director. A familiar of high-end positioning adopted by Apple, whose connected watches even wear bracelets manufactured by Hermès.

Even the smallest houses in the group are investing in digital. "*Digital is at the heart of the relationship with our amateur community*," says Olivier Krug, the CEO of Champagne Maison of the same name.

There is a general assumption that the majority of the most luxury brands of today, are marked by their notable past and historical roots. The belief is that a strong heritage establishes the soul and heart of a luxury brand, its core values, skills, excellence and quality (Wuestefeld et al., 2012). In turn heritage might thus be considered a contributor to the creation of brand value and influence how consumers perceive the value of such luxury brands.

Luxury industries are threatened by a progressive loss of mystique, market analysts say, as consumers search for something more than aesthetics and shallow status symbols (Boston Consulting Group, 2010). Consequently, luxury brands should rely more consistently on their heritage and history, in order to strengthen their appeal (Atsmon et al, 2012). In-store experience is increasingly important in luxury markets (Atsmon et al, 2012) and the shopping destination plays a key role. Heritage implies authenticity, credibility and legitimacy to consumers (Beverland, 2004, 2006; Alexander, 2009).

Beverland and Luxton (2013:103), in their consideration of luxury wine firms, choose to use Fine's (2003: 155) definition of authenticity derived from his ethnographic study of

self-taught art. However, Fine's (2003) definition is somewhat removed from the realities of most marketed products. It is very much oriented toward the concept of artisanal creation and an absence of conscious presentation to the market.

Beverland (2006) directed a study on the brand's importance in the luxury wine trade. Identify 6 characteristics of authenticity through 20 case studies in wine/champagne houses:

- ✓ *Heritage and pedigree:* All of the wineries pursued to use their individual histories as part of their brand building agendas. A winery's history was often distinguished through public interactions and marketing activities such as experiential tours of facilities.

- ✓ *Stylistic consistency*: The cases were concerned that the dilution of their traditional wine styles due to the need to be fashionable.

- ✓ *Quality commitments*: For consumers, the purity of raw materials such as the use of cellar fruit, the care in the selection of the fruit, the intensity of assistance throughout the process, etc. represents a distinctive factor. For wineries, commitment to quality represented both the pursuit of continually producing great wines, and a commitment to consumers.

- ✓ *Relationship to place*: The use of region of origin has a long history in the wine trade and seen by the wineries as a fundamental brand attribute e.g. Reims for the Champagne. Many Champagne houses also make public promises to sourcing from only the best vineyards.

- ✓ *Method of production*: The consumers are interested in how wine was produced because is part of a customer journey. Most interest in method of production was related to a need to know what went into producing the final product. Moët & Chandon do very good sightsees, it's interesting to see how it's made, and see exactly what goes into the process of what you're drinking.

- ✓ *Downplaying commercial motives*: Although many of the consumers purchased mass- marketed wines for specific occasions, they valued these far less than those that were less overtly commercialized.

In the luxury industry, brand management is essential to provoke customer identification. The notion of emotion is, in this regard, much more present than in other fields, even if it is linked to aesthetic appreciation. In this regard, champagne is one of those products that is associated with the heritage, tradition and history of the founding family.

Finally, companies have started to pay more attention to their history and heritage in order to increase awareness and knowledge both towards internal and external stakeholders, with the aim of obtaining competitive advantages (Misiura, 2006).

Aaker (2004) emphasizes how each company can benefit from exposing the brand's roots in order to underline its identity and strengths.

The brand's heritage recalls the origins of the brand and includes the evolution of the values, symbols and meanings associated with the brand thus providing authenticity and differentiation (Aaker, 2004; Urde et al., 2007; Merchant and Rose, 2013).

## 5.1. Champagne history

A glance into the history of champagne marketing reveals an enviable story of persistent collective myth making that stands as an avant-garde cultural branding case.

Nicolas Ruinart, scion of wealthy textile family in Reims, was the first to star commercializing their sparkling wine in 1729. Six years later, business was so good that he abandoned textiles altogether in order to focus exclusively on the production of Champagne. Ruinart was soon joined by others (Tardi, 2016).

For three centuries, champagne has been synonymous with luxury, frivolity, elegance and glamor. This elixir is produced in a city in the north of France called Reims. The uniqueness of the region is due to a series of circumstances that have made it the most suitable place in the world for the production of champagne.

This drink is made up of: Pinot noir, Pinot Meunier (the legendary Krug vintage of 1953 contains 30% of pinot Meunier) and Chardonnay.

Dom Pierre Pérignon (1638-1715) is probably the most famous personality in the history of wine. He was a Benedictine monk in the abbey of Hautvillers, near Epernay. It is he who is at the origin of the champenoise method, which consists in making champagne by assembling still wines and letting them ferment a second time, using a cork and a wire cap. The myth around Dom Pérignon was partly created by Moët & Chandon, when they bought their name from Mercier in the early 1900s. It was in 1936 that they launched their

first prestigious champagne which wisely, especially from a marketing point of view, bore the monk's name. Dom Pérignon was the first to produce white wine from black grapes. It was only in 1728 that the law prohibiting the transport of bottled wine disappeared. This eventually allowed the creation of the first champagne house. Ruinart was the first, in 1729, followed by several well-known names: Chanoine in 1730, Forneaux (today Taittinger) in 1734, Moët in 1743, Vander-Veken (today Abelé) in 1757, Lanson and Dubois in 1760, Cliquot in 1772, Heidsieck in 1785 and Jacquesson in 1798. In 1918, Veuve Clicquot had with her skilled producer, Antoine Muller, the brilliant idea of arranging the bottles, upside down, so that the deposit was in contact with the cap. This process is called "*remuage*". The deposit is then expelled with a quick maneuver and the wine with a new stopper. This process is still used today and is called "*dégorgement*".



Figure 1: Dégorgement process

Gradually, this elixir begins to attract attention even outside of France. Louis Roederer would therefore have drawn attention to his products in Russia, particularly the tsar. It was the Russian ruler who ordered a specially designed bottle of champagne in authentic transparent crystal. But the "crystal" that Alexander II drank was much sweeter than the prestigious champagne of the same name that makes the success of the Roederer house today. Bollinger and Krug, whose foundation dates back to 1843, turned to the British market with great success.

From the mid-18th century, the imagination of Champagne acquired many characteristics which are still its own today. At that time, it was inseparable from the values of the aristocracy that constituted its exclusive clientele.

In the nineteenth century, merchants occupied an essential place in the formation of the values transmitted by champagne. Through their commercial and promotional practices, they strengthen the identity criteria of champagne and help maintain the imagination around champagne.

Over time, they also began to think about the aesthetics of the bottle, merchants tried to improve the visual appearance of their products as they wanted to make them attractive (worthy of the elixir they contained) and above all, recognizable. At the beginning of the century, it was tar or resin that sealed the cap which attracted the attention of customers. Then, around 1820, the first labels appeared. Initially sober, with sometimes interwoven and floral decorations, they gradually evolve towards a more elegant graphic, often enriched with gold and silver. Mumm's famous "Cordon Rouge" is a convincing example. In 1883, the impractical initial silk thread was replaced by a label adorned with a golden writing that indicated "Cordon Rouge" on a large red diagonal band.



Figure 2: "Cordon Rouge" G.H. Mumm

Therefore, thanks to particular games of color and typography, each house acquires a means of rapid and effective identification, also underlining the luxurious character of a wine of elegance and refinement.

It was at the crossroads between the XVIII and XIX centuries that the Champagne trade took off with the help of dynamic, daring and discerning men and women who, with talent and success, committed themselves to "consolidating" the champagne sector. An unprecedented economic transformation then occurred in the region: over the century, champagne houses have undergone considerable industrial development, guaranteeing the conditions for a confirmed internationalization of champagne sales and thus giving rise to certain entrepreneurial success, to the origin of a dynastic patronage, whose brands in the name of the owners are emblematic.

In this intense moment of creation, a remarkable fact is due to the presence of numerous foreigners: Heidsieck, Mumm, Bollinger, Deutz, Krug, etc. Often coming from wine regions along the banks of the Rhine and in southern Germany, these emigrants have excellent knowledge in the field of winemaking, qualities that do not go unnoticed by established Champagne merchants.

Employees in cellars or walking along the streets on behalf of the houses, they become partners of their leaders or create their own factories, very often following a marriage with an heir to the trade or the vineyard (Bollinger, Krug).

Over the course of the century most of these houses are managed by founding families who seek to preserve longevity from the founding families and who seek, above all, to preserve the longevity of their activities. However, the absence of a direct heir is frequent. It is therefore very often through a son-in-law or a grandson that families manage to settle permanently. This much sought after family continuity is also evident in the case of widows, so often mentioned in Champagne (Clicquot, Pommery, Laurent-Perrier). Guarantors of business sustainability, these women stand out as an essential vector for the maintenance of business. Their tenacity in business management also testifies to the often beneficial action for the houses they manage. Careful training of the heirs (business education, foreign language practice, learning abroad and rapid immersion in the family business), a strong work ethic that leaves little space for individual projects, to which is added wise financial management, complete the basis of a sustainable entrepreneurial family culture. The progression of the economic power of the merchants is accompanied by a rapid social rise which leads them to participate in the political, social and cultural life of their city or region.

Today, the media have largely contributed to the diffusion of the merits of champagne, thanks above all to the enormous publicity that Moët & Chandon has given to the region

on every imaginable occasion. Champagne is now considered essential on festive occasions or to emphasize luxury.


## 5.1.1. Champagne sector

The idea is to focus on the champagne sector because it is a sector characterized by high levels of heritage, and today it is starting to open up to digitalization with a series of critical issues connected to it. The biggest issue is how to integrate digitalization in structures that are focused on very traditional craft processes and roles, and that have been guided for decades by the brand's heritage and historicity. Digital transformation is one of the biggest challenges that these companies have ever faced and moreover, it implies a total change. Being digital therefore becomes fundamental for the survival of the organization itself. However, implementing innovative technologies and solutions is not enough to guarantee the success of the company; it is essential, however, to redesign the very foundations of the organizational processes.

The research focused on the champagne sector as it is one of the sectors with the greatest presence of heritage (most companies date back to the second half of the '600 / first half of the' 700). It is a sector that has remained unchanged and traditional in certain traits, still based on craftsmanship, and jealously guards specific roles and skills. Today, however, it has to deal with digital transformation. A challenge that has come from external rather than from internal needs.

For three centuries, champagne has been synonymous with luxury, frivolity, elegance and glamor.

The Champagne market has been characterized by a growing demand over the past decade, which has led to an increased need of grape supply for the Champagne Houses (Deluze, 2010).

From the sales bulletin 2018 issued by the champagne committee, the non-vintage brut remains the best-selling one.

Their export market share amounts to 79.3% of volumes and 65.8% of turnover. Their position is strong in Belgium (92.4% of the volumes and 87.6% of the value), in Germany (86% of the volumes and 75% of the value) and they lead the remarkable growth of the

Asian countries, particularly Singapore (+ 15.1%), China (+ 10.2%) and Hong Kong (+ 9.8%).

Also, from the 2018 bulletin issued by the champagne committee it emerges that South Africa is a new market.

This was particularly true of South Africa, which for the first time exceeded the bar of one million bottles: volumes exported to this country increased by 38.4%. Turnover also rose, reaching a record €25 million (+43.4%). The growth in the South-African market was led by the remarkable increase in high dosage Champagne, now accounting for 43.8% of the market and 44.3% of turnover. Volume and turnover increased in other countries in 2018, such as Russia, where volumes rose by 13.1% to 1.9 million bottles, bringing turnover up to €32.7 million (+10.3%), and in Singapore (+15.3% in volume and +15.0% in turnover), and Mexico (+4.3% in volume and +2.5% in turnover).

| (m bottles) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| UK | 30.5 | 35.5 | 34.5 | 32.5 | 30.8 | 32.7 | 34.2 | 31.2 | 27.8 | 26.8 |
| USA | 12.6 | 16.9 | 19.4 | 17.7 | 17.9 | 19.2 | 20.5 | 21.8 | 23.1 | 23.7 |
| Japan | 5.1 | 7.5 | 8.0 | 9.1 | 9.5 | 10.4 | 11.8 | 10.9 | 12.9 | 13.6 |
| Germany | 10.9 | 13.3 | 14.2 | 12.6 | 12.4 | 12.6 | 11.9 | 12.4 | 12.3 | 12.1 |
| Belgium | 8.2 | 8.8 | 9.6 | 8.3 | 9.5 | 9.7 | 9.2 | 8.3 | 9.1 | 9.1 |
| Australia | 2.9 | 3.7 | 4.9 | 5.4 | 6.0 | 6.5 | 8.1 | 7.4 | 8.5 | 8.4 |
| Italy | 6.8 | 7.2 | 7.6 | 6.2 | 5.4 | 5.8 | 6.4 | 6.6 | 7.4 | 7.4 |
| Switzerland | 4.8 | 5.4 | 5.7 | 5.4 | 5.1 | 5.5 | 5.4 | 5.7 | 5.6 | 5.8 |
| Greater China | 1.6 | 2.6 | 2.9 | 3.9 | 3.6 | 3.7 | 3.5 | 3.5 | 4.3 | 4.7 |
| Spain | 3.0 | 3.7 | 3.7 | 3.1 | 3.1 | 3.4 | 3.9 | 4.0 | 4.1 | 4.2 |
| Svezia | 1.9 | 2.3 | 2.4 | 2.3 | 2.5 | 2.6 | 2.9 | 3.0 | 3.3 | 3.2 |
| Olanda | 2.7 | 2.5 | 2.4 | 2.3 | 2.0 | 2.4 | 2.3 | 2.4 | 2.5 | 2.7 |
| Canada | 1.1 | 1.4 | 1.6 | 1.7 | 1.7 | 1.7 | 1.9 | 2.2 | 2.3 | 2.4 |
| Emirati Arabi | 0.8 | 1.2 | 1.4 | 1.5 | 1.7 | 1.9 | 1.9 | 1.9 | 2.0 | 2.0 |

Fonte: Comté Champagne (CIVC)

Figure 3: Champagne sales in the main markets (https://www.champagne.fr/en/champagne-economy/key-market-statistics)

The markets that support Champagne are the USA, Japan and, of course, China.

| (mil bottle) | Total | Maison | Vigneron | Coop |
|:---:|:---:|:---:|:---:|:---:|
| 2018 | 301.9 | 219.3 | 54.9 | 27.7 |
| 2017 | 307.4 | 222.5 | 57.4 | 27.4 |
| 2016 | 306.1 | 219.4 | 59.6 | 27.1 |
| 2015 | 312.5 | 223.6 | 60.9 | 28.1 |
| 2014 | 307.1 | 215.1 | 63.2 | 28.9 |
| 2013 | 305.0 | 210.9 | 65.7 | 28.3 |
| 2012 | 308.6 | 213.2 | 67.7 | 27.7 |
| 2011 | 323.0 | 222.8 | 71.5 | 28.7 |
| 2010 | 319.5 | 219.1 | 72.4 | 27.9 |
| 2009 | 293.3 | 193.5 | 74.8 | 25.0 |
| 2008 | 322.6 | 214.3 | 78.5 | 29.9 |
| 2007 | 338.8 | 229.6 | 77.5 | 31.7 |
| 2006 | 321.8 | 217.7 | 74.7 | 29.5 |
| 2005 | 307.7 | 207.3 | 72.6 | 27.7 |
| 2004 | 301.4 | 202.4 | 71.1 | 27.9 |

Figure 4: Champagne sales (https://www.champagne.fr/en/champagne-economy/key-market-statistics)

The world Champagne market resisted in 2018, with a value of 4.9 billion euros in sales, despite the 2% drop in bottles sold to 302 million. Everything comes as in previous years from a reduction in the French market, which lost 6 million bottles in 2018, offset by an increase in countries outside Europe. This shift also has a structural implication: the big players ("*Maisons*"), which have worldwide distribution capacities, to the detriment of small producers ("*Vigneron*") are increasingly winning, which are more connected to the domestic and European market.

| | |
|---|---|
| United Kingdom | 26,762,068 |
| USA | 23,714,793 |
| Japan | 13,588,106 |
| Germany | 12,144,521 |
| Belgium | 9,092,105 |
| Australia | 8,383,879 |
| Italy | 7,362,506 |
| Switzerland | 5,778,996 |
| Spain | 4,175,763 |
| Sweden | 3,164,765 |
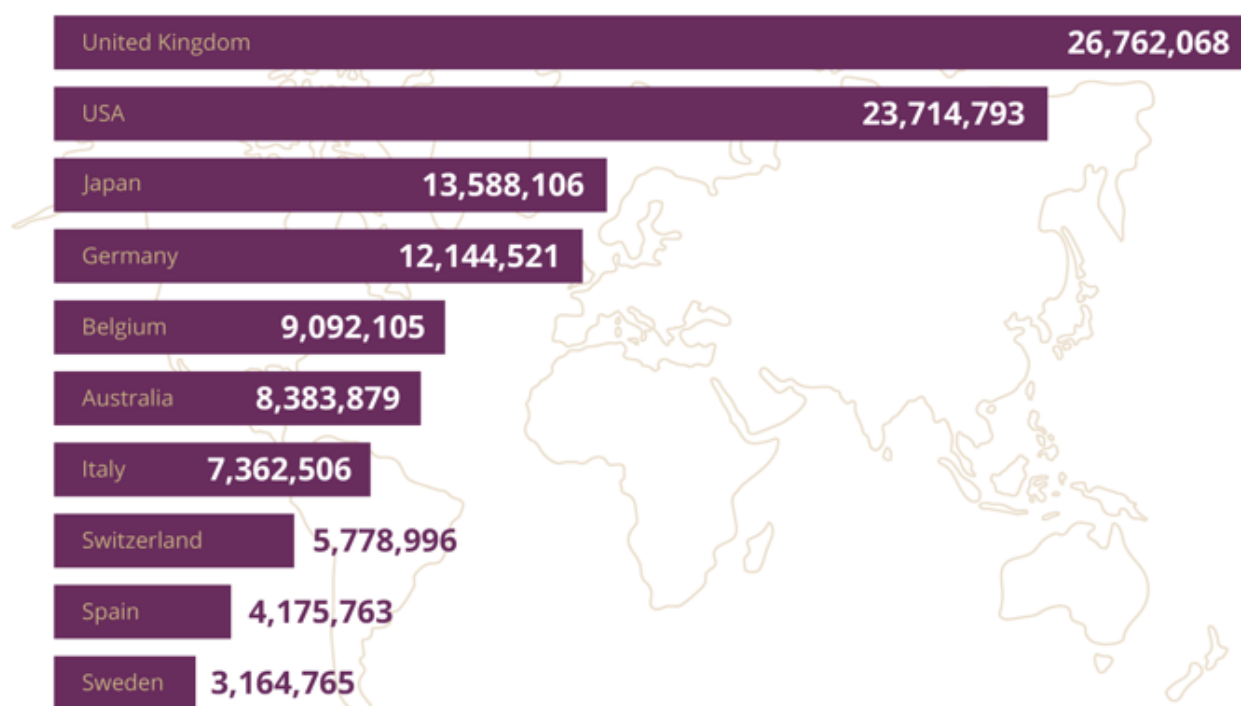
Figure 5: The top ten most exported champagne market
(https://www.champagne.fr/en/champagne-economy/key-market-statistics)

Champagne is now considered indispensable in occasions of celebration or to emphasize luxury.

But, more than any way of drinking, it is the ways of being that are highlighted, referring to a more complex system of values.

A lot of French people are also increasingly attracted by local products that draw on traditional knowledge and craftsmanship. It is important for the name to reaffirm its uniqueness, its history and its roots, adapting to new communication methods. Unlike their elders, the French between the ages of 18 and 34 are far more interested in affirming their individuality than their refinement. However, they appreciate the prestige, authenticity and refinement of Champagne; it has become a true cultural reference point for young people aged 18 to 34 years. Now Champagne needs to draw on this solid and highly positive image and increase its palatability by adapting to the lifestyle of young people, to their constant search for new experiences. The challenge with this group will be to encourage the consumption of Champagne in more informal contexts, while exploiting the fundamental aspects of its image that position it as the best sparkling wine.

Furthermore, champagne is now known all over the world as a luxury drink and young consumers between the ages of 21 and 34 represent a clear opportunity in Japan: they represent 38% of all Champagne buyers and are overrepresented with respect to their presence in the population general (31%). Champagne sales are developing in the country through online shopping sites and social networks, which play an important role in youth communication (Union des Maisons de Champagne, 2018).

The Champagne economy follows a dynamic cycle which enables it to increase the volumes sold and maintain a control on prices at the same time. This phenomenon has been made possible thanks to an increased production capacity, with the enlargement of the vineyard surfaces planted and higher maximum yields. This growth model, which is partly at the origin of Champagne's economic success, has now reached its limit as it is no longer possible to increase the production at the same rate as the growing demand, which involves tensions in the industry (Deluze, 2010).

However, the digitization process is not applicable to all products and services, or rather the success of such a strategy also depends on the aspects related to the product itself, some products are easier to treat in this way while others require a degree more complex, moreover, other variables including the type of market, are relevant to consider.

After defining the context and the reference market, in the following parts we will go further to discover the two Champagne houses examined.

## 5.2. Maison Taittinger

Maison Taittinger, is one of the oldest houses in the Champagne sector. The aim of the following paragraphs is to go and define the background of the house, its origins, its path, to get to the challenges it faces today.

## 5.2.1. Background

The ancestor of the family is Pierre-Charles Taittinger, a highly decorated officer during the 1st World War. He fought in the Champagne region, at the time he was the quarter general of the French army and the headquarters was near an abbey of monks. At that time he often had the task of going and sending messages to the generals. At the end of the war he married a woman, belonging to a very rich Cognac family. He didn't have

much of an inheritance but by marrying this woman, he had access to his luck and started doing business in Paris. And he got into politics too.

He was able to make his two greatest passions coexist for decades: politics, which saw him at the forefront for a long time, first as a deputy and then as mayor of the town of Saint-George-des Coteaux and champagne, which he sold and exported from Paris. This led him a stone's throw from Épernay to Château de la Marquetterie. After a few years his brother-in-law (who also worked in champagne) tells him of a small castle for sale, with vineyards around it. This was the beginning for the story of Taittinger, which is based in Saint-Nicaise in Reims.

In 1931 Pierre - Charles Taittinger bought one of the historic champagne houses, Forest-Fourneaux founded in Reims in 1734. Pierre Taittinger brought with him his son François who loved champagne and was starting to appropriate the history of champagne. Being young, he had new eyes and new perspectives. In a context of strong change: the role of women in society, gastronomy, etc.

Precisely for this reason François wanted to make a champagne that accompanies this new gastronomy, lighter and less spiced and he wanted to bring out the flavor of champagne from this "accentuated and strong" taste as it was made only with pinot noir and pinot Meunier, with the idea that it was a more masculine drink. In this regard, he began to use chardonnay, to "soften" the flavor.

Also, unlike the other merchants who were wealthy, François and his brother Jean sold vehicles to buy vineyards. they started working together and decided to put the name of Taittinger on the bottles they produced. Brilliant and visionary man, he throws himself into the hotel sector and invests in a small company in Paris, with time he will acquire everyone's share. François died in 1960.

At this point Claude Taittinger (brother of Pierre-Charles) carries on the exports of the house while the other brother, Jean, retracing the footsteps of his father strengthens the relationship between the Taittinger family and the political life of Reims, of which he will be mayor for 18 years between 1959 and 1977. The rise of Jean's son Pierre-Emmanuel began in 1976. Protagonist in 2006 of the second, fundamental, turning point in the history of the family, when he bought the house, sold a year earlier to the American group of Starwood Capital, for an investment of 850 million dollars, supported by Crédit Agricole, with the support of the father Jean-Taittinger. So, to date, Maison Taittinger is one of the few houses that is still in the hands of its true dynasty. Distinctive element especially in a context in which champagne has become aggressive in terms of marketing

with the strength of LVMH and the beginning of all the synergies that have been able to play between fashion, champagne, etc.

They understood that it was necessary to keep some DNA of the cha, which essentially rests on the quality of its products. But also, on the strength of his legacy and therefore, the fact that he is still a family.

Today the seat of the Maison has remained Saint-Nicaise in Reims, visited by more than 60 thousand people a year. The outer door of the Abbey was destroyed during the French Revolution, the underground levels dating back to the Gallo-Roman era, 18 meters below the ground, were used in the 13th century by Benedictine monks (now UNESCO heritage). In these calcareous cavities of the fourth century, the Taittinger cuvées age, where the temperature remains at 10 ° and the humidity at 90% throughout the year.

Maison Taittinger has a heritage of over 288 hectares of owned vineyards. And here comes another element of investigation: foresight. After the war, the Champagne vineyards had been almost razed to the ground and the prices were laughable, if compared to today. Thus began a massive acquisition that will bring the Maison to 288 hectares, located mainly in the area of the Montagne de Reims, Pierry and Côte des Blancs. A heritage, yes, but also the guarantee of being able to directly control the production of grapes, in particular Chardonnay, the hallmark of the Maison.

This has always allowed the production of elegant, refined, vibrant, lively and pure champagne.

There are 10 cuvées produced by Taittinger: from brut to several thousandths, passing through Prélude. The great distance from the dominant conventional model on the market already emerges from the brut: a very high quality product, the true calling card of the Maison's philosophy. For quantitative reasons, brut is always the product with which most fans identify, so the Taittinger family, especially since 2006, has been committed to ensuring a rigorous selection of the cuvée characterized for the majority by Chardonnay and consequently priceless freshness.

The Comtes de Champagne is the most celebrated cuvée, born in 1952 and famous all over the world.

Figure 6: The Comtes de Champagne (Maison Taittinger)

If Comtes de Champagne Rosé is the rarest cuvée in the house, it is Blanc de Blancs that has carried on the image of the Maison for half a century. Made up of only Chardonnay aged for at least ten years in caves, it is a masterpiece of style and elegance. His luck benefited from the Chardonnay grapes of the best Grands Crus of the Côte des Blancs (Avize, Chouilly, Cramant, Mesnil-sur-Oger, Oger, Bergères-les-Vertus, Vertus) and first pressing wines, which guarantee a finesse without even.

IF ONLY ONCE
IN YOUR LIFE

COMTES
DE CHAMPAGNE
BLANC DE BLANCS
TAITTINGER

Figure 7: Blanc de Blancs (Maison Taittinger)

Gorgeous Taittinger vintage wines, created with the same grace and attention. Folies de la Marquetterie is the first single-vine champagne in the history of Taittinger: it is a blend of Chardonnay (45%) and Pinot Noir (55%), produced in very limited quantities. After the green harvest of the Folies vineyard surrounding Château de la Marquetterie in Pierry, the home of the Taittinger family, only the juices of the first pressing are selected and some are vinified in large oak barrels. It is made as a "gastronomic" wine: it has a unique style, able to accompany even the most robust taste dishes.

In continuity with the deep bond that the Taittinger family has always had with French society and culture, today the Champagnes of Reims are the protagonists of partnerships of excellence, such as the one "with the Paris Opéra, of which Taittinger is the official Champagne, but also with the Opéra Garnier and the Opéra Bastille. But there is another, more popular, passion that has always been part of Taittinger, football.

*"So, we connect we have the press kit a description of the project there for example the press kit of FIFA women here is which is downloadable. And then he contacted our press agency in France knowing that we still have the Evin law. It's complicated to*

*communicate about a sporting event, that's something that also digitally is complicated. For example I give another example to the Opéra de Paris: with the Opéra de Paris we are in the process of assembling the champagne of the Opéra Garnier of the Opéra Bastille and we are in the process of setting up with the a with the Opéra team, a communication on the partnership.*

*We've been partners for two or three years already but it had never been done before because for their part it's very statutory and we cannot do what we want with the opera of the codes even of images that cannot be broadcast. We cannot say that we have partnerships in France, we are partners everywhere in France because it is an institution". (Digital Communication Manager)*

An international brand, capable of linking its name to the recent history of a country, as well as to the world of culture and art, but which looks with great interest to nearby Italy, "country of beauty and culture", as it calls it the president of Taittinger.

## 5.2.2. Maison challenges

In a globalized world, a constant tension is between maintaining local roots, in the place where it all started, and turning into a global company.

The goal of this company is to digitize its various key processes while safeguarding its specificities as a champagne production company. Change but staying aligned with their DNA.

To do this it uses heritage as a dynamic competence to activate digital transformation.

Actually I have observed that their using the past within the products themselves is supported by both their communication and retail strategies. Indeed, the main issue about convening the past is to make sure that consumers get impregnated with the house history and vision so that all the elements from the past used create something credible. They have here a goal of bringing about an emotional impact. That is why communication and retail strategy play a significant role in getting the consumers or prescribers involved in the brand.

"*In fact, the values should be transposed. They will be the same, that is to say that the language will be the same. The idea is just to say here, we see that there is someone who regularly consumes rosé. You see that there is a periodicity. You just allow him to say*

*that and again to ask them. But it's fair to say how we can please people, how we can make them feel privileged. And we know that consumption patterns will change. We know that little by little, there will be fewer stores, more and more storage places. There are things that there are in any case for certain needs will organize themselves in a different way and it's just saying this is what we choose to take, this turning point, what we choose to exist by being totally outside, since we choose to be between the two and do things in a very fine way, precisely keeping humanity, which is in my opinion possible."* (Finance Manager)

In almost all the interviews carried out, I was shown the photo below. It is Château de la Marquetterie, a clear example of how past and present are connected.

*"So you see, we are looking to enhance our heritage. Because there, there is the history of the castle, of the Marqueteries which has existed for a very long time. And then there is just the story of the year because it is the harvest of the year, it is the end of harvest celebration. And see, we try everything in a setting like that, there are 300 years of history and at the same time, there is immediate history.*" (Logistic Manager)

Figure 8: Château de la Marquetterie

In fact, in a photo are the cornerstones of this company: the family, the castle where it all began, the party for the harvest. Every celebration takes place in this castle, because it is as if the family wanted to thank their ancestors.

In all the interviews the importance of the family history was underlined, this will never go away, because it is not only the history of the family, but of the champagne itself.

"*We always tell this story there. We put our activity into perspective. A wine-making, bottling, aging and marketing activity with a culturally interesting history. And is part of the history of Champagne. And that has always been. So when you say what has changed. No doubt, but the history of the house will remain a history, the house, the history of the development of the house, the family of Pierre-Emmanuel, the Taittinger family. This story will remain, will remain the same and it is brought to light and brought to light. How to tell in the history of the house.*" (HR Manager)

The idea is to revive your past, an example can be had from the advertising of the *INSTANT TAITTINGER*. A clear example of an advertisement that over the years, however, while changing, has maintained characteristic elements of its past. The company wants to adopt the same process, changing, while maintaining past elements. And this step can be facilitated by using heritage as a dynamic capability. That is, as an enabling factor for transformation.



Figure 9: Instant Taittinger (1985)
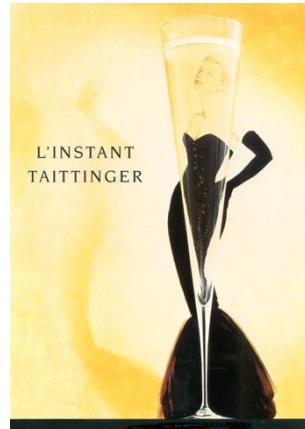


Figure 10: Instant Taittinger (1988)
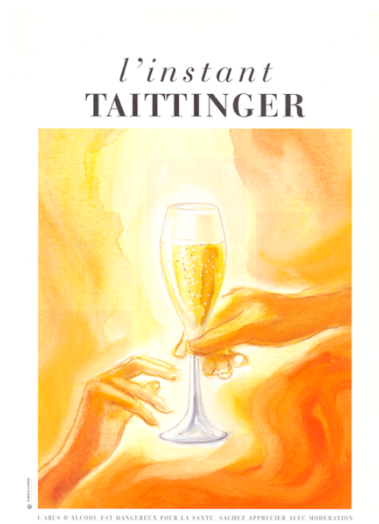


Figure 11: Instant Taittinger (1996)
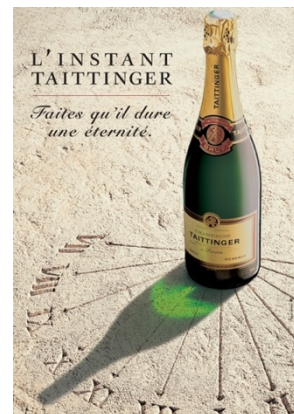


Figure 12: Instant Taittinger (1997)
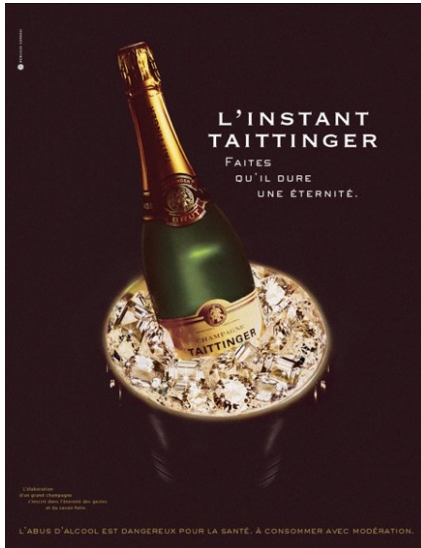
Figure 13: Instant Taittinger (2000)          Figure 14: Instant Taittinger (2016)
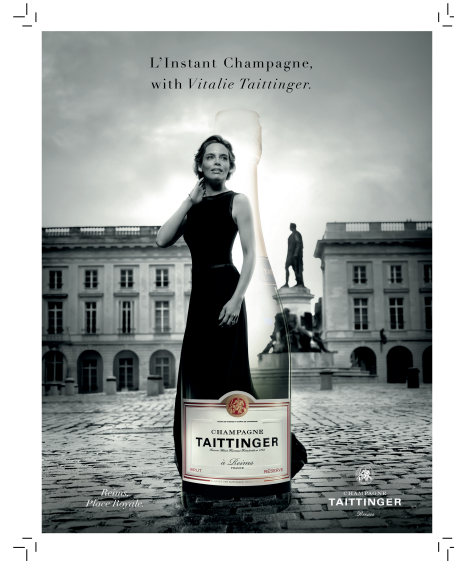
The photos above show how the advertising of "L'istant Taittinger" has changed over time, but a common thread always remains. Just like in the history of this company, changes can take place but a contact must remain, a link with the past. Just as stated also in the interview with the Finance Manager: "No doubt, but the history of the house will remain a history".

## 5.2.3. Preliminary results

Digital transformation is one of the biggest challenges that these companies have ever faced and moreover, it implies a total change. Being digital therefore becomes fundamental for the survival of the organization itself. However, implementing innovative technologies and solutions is not enough to guarantee the success of the company; it is essential, however, to redesign the very foundations of the organizational processes.

It is clear to the management of the company that in order to survive they will have to change, but at the same time they are held back by the awareness of having a very strong past and by the desire to maintain some "human roles" in order to preserve the craftsmanship and savoir faire; distinctive elements of their company. In fact, from the analysis of the sector carried out (excel table in attached), other companies are already working to digitize production and also other organizational processes, while this company is proceeding with small steps, aware of the great power it has within it. First of all, by the CEO himself, who is still an heir of the family that founded this house and

attached to the historical values of the house, who holds firm to the aim of keeping this company completely "human" in its roles.

From the interviews, especially with the Marketing Manager and Digital Communications Manager, it emerged that this company has a clear understanding of what their heritage consists of: in the history of the family; in the figure of the managing director, a charismatic person who took steps to buy back the house from a fund to ensure that it remained the complete property of the family; in a country estate (Château de la Marquetterie) purchased by their founder in the early 1900s which later became the birthplace of their brand and which, despite moving to another location, has maintained the original estate, enhancing it, not only by opening it to the public but also, organizing every event in the house there so that you never lose the link with the origins. It is as if, at every important event, we went back to that estate to remember where it all started. Finally, the heritage of this house lies in the skills, savoir faire and artisan roles, e.g. activities such as "dégorgement", the process to remove fermentation residues from wine and make it so perfectly clear and clean, that can only be done by expert personnel and there is no desire to digitize this process. While other competitors have already been digitizing this step for years.

For these companies, having the name on the bottle is not only a transmission of skills and knowledge of the past but also, a commitment for the future. So to return to a more theoretical level, this company has a clear understanding of how heritage is a sensing capability.

The current challenge is how to use heritage to interpret digital transformation, in order to remain coherent and aligned, not only with their strategy but also with their founding values.

The need to change is clear, the way we do it is less so. In this step, the company should use heritage as a trajectory, as a sizing capability.

So, this company today is focusing on small objectives, as a sort of experiment: general improvement of the site (greater clarity of the contents, more friendly, etc.), implementation of the CRM, experimentation of the sale with e-commerce, review of social media. To do this, they hired a digitization expert, but this step is also causing problems as there is a discrepancy between the specific skills of this person and the "more traditional" internal ones. The actions of this figure are often held back by the fear of proceeding.

*"Companies like ours must adopt digital transformation sparingly, they must take the positive and the negative. But we have to move, we have to go...we can't be afraid now."* (Digital Communication Manager)

It is necessary to proceed in small steps because, what the company is trying to do is to transport the heritage on digital platforms and this implies a different narrative. The last step in this process of change is transformation. Transformation not only of processes but also, as seen previously, of roles. According to the dynamic capabilities view, it is not sufficient for firms to simply possess resources; they must be able to develop, recombine, and deploy internal competencies that maximize congruence with the requirements of changing environments (Eisenhardt and Martin, 2000). In the specific case of this company, it will not be possible to proceed with a massive digitization but, it will be necessary to carefully evaluate which processes and roles will undergo a transformation. The interviews showed that, on the one hand, we see a company projected into the future and technologically advanced, with drones and other tools that will support them in the production of champagne. But on the other hand, one of their founding values is the human project, the safeguarding of craftsmanship. In fact, they want to clarify that, in their case, technology will never replace the human being. Technology should be understood only as a support to human action, to allow the latter to concentrate on the details (and this is what then makes the difference between a luxury product and a mass-market one).

*"And tomorrow, the winemaker? Do I have to recruit young winegrowers or is it a job that will no longer exist in ten years? For us, it's impossible."* (HR Manager)

*"See, we're starting to have robots that would be able to do viticulture instead of workers. Obviously, I'm not saying that it would replace, but technological developments mean that in the coming years, we will have very significant changes in the organization of work."* (General Director)

The heritage is identified not only in top management, but at all levels. The attachment to the company is often handed down from father to son even among the collaborators (e.g. the father of the current Vineyard Manager worked for the Taittinger family and retiring, took over the son who had cultivated in the meantime the love for the vineyard and for the Maison). Heritage could be the key to tackling this change (as was the case

with Maison Krug). At this time, Maison Taittinger, is in the implementation phase or, it is clear what their heritage is and where it resides (in the leader, in the roles, Château de la Marquetterie, craftsmanship that they absolutely do not want to lose as a distinctive element, etc. ) but now, it will be necessary to understand how to adapt the heritage to new external needs (digital transformation, change in consumer purchasing methods, change of customer experience, etc.). This step could be facilitated by the digital expert who was acquired by Google. Certainly we are not only talking about a change of strategy but above all, of a cultural change.

## 5.3 Maison Krug

### 5.3.1. Background
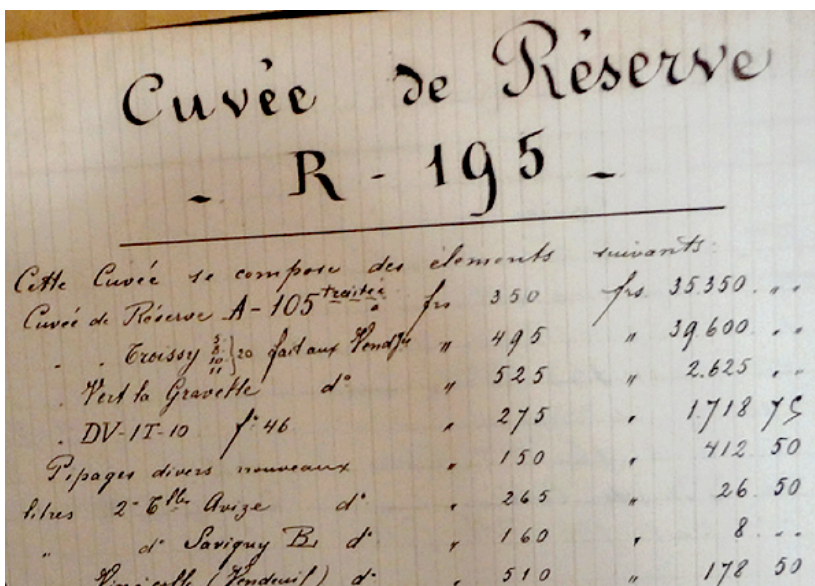
Johann-Joseph Krug, a German immigrant, from Rhineland arrives in France and becomes a partner of Jacquesson, one of the most Maisons of Chamapagne of the time. Later, he will marry a lady in the family. J.J. Krug, a stubborn man, disagrees with the idea of Champagne that Jacquesson carries on; Indeed, Krug did not believe in the superiority of champagne "*sans année*" compared to vintage cuvées. Regardless of the competition, Joseph Krug began with some "experiments", thanks to a shopkeeper who sent him base wines on which to test, in complete anonymity. Until, this shopkeeper asked him to get out of business with the Jacquessons and create a new company with him. At the beginning of his commercial career, to ensure an always excellent quality of champagne, regardless of the harvest, he divided his production into:

Champagne n.1 not vintage which can be considered the forerunner of the current Krug Grand Cuvée. Champagne n. 2, vintage which is produced only in exceptional years.

Krug uses the barrels only for fermentation, which is followed by a period of natural clarification by gravity, during which the coarse particles settle to the bottom. They are not used as aging vessels and the wood is not intended to contribute any flavor whatsoever. Because barrels will eventually outlive their usefulness and must be retired, new ones must periodically be acquired. But they are not put into use immediately. New barrels are first soaked for months with warm water and then filled with *vin de taille*, which Krug does not use for its Champagnes. This is done for three years. After the tird year, the *vin the taille* is tasted: if there is any hint of woodiness, the barrel will get the treatment the "new" barrels are used with discretion (Tardi, 2016).

In 1970 the company was acquired by Remy Cointreau, a large French multinational group operating in the wine sector. Despite the change of ownership, the Krug family has always maintained managerial positions within the company.

The secret of the basis of differentiation was explained by Remi Krug with a culinary metaphor: "Would anyone ask a great chef for his recipe?". The idea behind this claim was that true connoisseurs would recognize Krug's quality and trust it implicitly, without much explanation. In this sense, the loyal customers of Krug Champagne were called "Krugistes", like a sort of "sect" that would love the brand and its products without questioning its superior quality and uniqueness compared to other luxury champagne brands. This approach, although highly successful for several decades, hardly matched with new global markets and changing consumer tastes and preferences.

The situation in Krug Champagne has progressively deteriorated and the brand has had difficulty staying afloat in the midst of the economic turmoil that hit global markets in the late 1990s. In 1999 LVMH acquired Krug Champagne from Remy Cointreau in order to add a luxury brand to its already rich portfolio of champagne brands which include, together with Krug: Moët & Chandon, Dom Perignon, Ruinart, Veuve Cliquot and Mercier.

Since 1999, several CEOs, appointed by the LVMH group, have tried to revive this brand again, in order to avoid a further drop in sales, placing an even stronger emphasis on the uniqueness of the product and its superior quality and exploiting communication and distribution potential of the LVMH group. Despite this, the reduction in sales continued to a level that put the company's survival at risk. This critical situation was exacerbated by the crisis in the champagne and wine market, which erupted during the early 2000s.

In 2009, Ms. Maggie Henriquez was appointed new CEO for Krug Champagne. He had a long career in the wine industry: from his 33 years of experience, which began in 1978, 26 have been in this sector.

The initial strategy did not bring the expected results and realized that a totally new approach was needed to bring about the much needed change in the company. He had a turnaround background and a knack for recreating lost corporate identities (Late, 2016) and this suggested a completely new approach to the CEO to develop a luxury champagne house.

Only in 2010, "The Legacy" is found, a block note in which the founder wrote in 1848 the key rules for the production of Krug Champagnes. It was so important that the book was kept for over 150 years but the various alternatives that followed one another in Krug had forgotten it. Yet everything is written in this booklet, and above all there are the key rules for making a great wine. It was as if the founder came to their aid, to rediscover the importance of each individual production plot which for a long time has been the basis of Krug's value and myth. But Joseph Krug was also probably the first to ban flutes rightly considered the least ordered type of glass for Champagne. But the other key element on which Maggie Henriquez restored the house's glaze was "listening to the most important customers". This step was fundamental to understand the wishes, why some customers had remained faithful to this brand, what characteristics they appreciated but also why, some of them had decided to abandon Krug for other Champagne houses.

The discovery of the block notes, a fundamental link with one's heritage and putting consumers at the center, were the two fundamental activities to start this change.

In this, LVMH, the great fashion giant has played a fundamental role, leaving Krug the opportunity to rediscover and revive its heritage, without incorporating it into more standardized logic and dynamics.

In each phase, the change in meaning, induced by the corporate assets, is supported by various dynamic capabilities. These skills enable and assist the change management process. According to Pini (2018), 4 phases can be identified:


**Phase 1**

This phase of change was characterized by Henriquez's strong will and will to develop a deep knowledge of the champagne sector, but above all of Krug's uniqueness and added value. She aimed to highlight the distinctive features of this Maison. Although family members were still present in the Maison, what was evident was a complete absence of

knowledge of the history that characterized this company. The first step was therefore the reconstruction of the family history. The discovery of the block notes, containing the original recipe for the production of champagne, written by the founder played a fundamental role. Obviously, the rediscovery of the heritage was a long and tiring process, which took place in the other following phases.

**Phase 2**

At this point, once the legacy has been rediscovered, it must be transformed into practices and behaviors.

The managerial decisions, at this stage, aimed to share the culture and philosophy of the Maison. This objective implied further autonomy from the LVMH group's strategies and synergies, with the development of independent product strategies, as well as a new communication strategy based on openness. The idea behind the new communication strategy was that of generosity: Krug Champagne shares its unique heritage, its unique vision of champagne and its ideals of perfection with all fans.

From the point of view of dynamic abilities, these actions are relevant because, in this phase, management has developed knowledge on the organization's willingness to capture value from corporate assets.

**Phase 3**

Once the new meaning was rediscovered and the change process started, several actions were taken by top management and a team of consultants.

(i) Relations with external networks: an open and participatory relationship with influencers were created by opening the company's doors, for the first time, to journalists, writers and sommeliers who could visit cellars, cellars and cellars. This decision generated more tension within the organization, which perceived this disclosure as a violation of the secret legacy that was part of the company's tacit culture.

2. (ii) In terms of customer relations, various actions have been taken to provide a richer customer experience. Among the most important, one could mention the identification code of the bottle that was put on the Krug bottles. By accessing the Krug website, customers can access various information about the bottle they are enjoying, the way it is produced and the underlying philosophy. The ID code has evolved into a mobile app that tells the story of individual bottles by scanning the identification code of a bottle, positioned on its label. This activity required the digitization of a huge amount of information, disseminated at all stages of production, to make it available for consultation.

3. (iii) In terms of key processes and activities, Ms Henriquez negotiated with larger parts of LVMH's independence. M. Henriquez, together with the director of human resources, decided to recruit 2 BDM (Business Development Manager) who represent Krug's ambassadors, in order to "evangelize" all markets with the new brand identity, based on the rediscovery of the heritage company. In terms of organization, the oenology department has been changed to add new roles and responsibilities. In particular, Maison Krug has strengthened the role of the winemaker, transforming him into a communication ambassador. This profile could present his "champagne", his work and transmit Krug's values to the market.

**Phase 4**

Company assets become the key tool in the transformation process to mobilize, motivate and inspire people to change. Krug management decides to capture the value of corporate assets in these ways:

(iv) Krug moved towards a "talent company" by bringing in the people who create the product in the spotlight, giving external visibility to roles such as "*Caviste*" and the winemaker as ambassadors of Krug's heritage. This required the dissemination of Krug's diary (and his philosophy) within the organization to create an adequate internal culture based on corporate assets. The turnaround required "tales of talents", that is, centering the organization around the excellence and unique skills that make people working on Krug's talents who innovate Joseph Krug's vision day after day.

(v) The rediscovery and diffusion of corporate assets has made it possible to reduce the barriers between functions and organizational levels and to have a better alignment of key processes.

At this stage, Krug Champagne has implemented dynamic abilities such as transformational abilities. These features supported the reconfiguration of the components of the business model through the alignment and realignment of tangible and intangible assets. In this phase, the business model was innovated through the reconfiguration of its existing components which were combined together in a different way thanks to the introduction of new meanings in the value creation process.

## 5.3.2. Maison challenges

The challenge of the Maison today is to not lose contact with its past (it has already done it once, it could not do it a second time) and above all, being part of LVMH, to deal daily with the digital challenge that requires storytelling and different strategies .

Even the smallest houses in the group are investing in digital. "Digital is at the heart of the relationship with our amateur community," says Olivier Krug, Director of Champagne Maison of the same name. It is a great tool to get in touch with our customers and strengthen the special bond that unites them with the home. In addition to winery visits (and regular presentation operations in major countries), the company is rarely in contact with the end customer because sales are made by third-party distributors. Krug therefore decided to put a code on the labels of his champagne bottles that could be scanned with a smartphone. Through an application, customers can access anecdotes, wine details in the mix or tasting tips. The experience was enriched in January on Twitter. On the mention of the number and a hashtag, a robot sends personalized content, selected from 800 answers. With around 50 employees, Maison Krug is a company that fits and coexists perfectly with the know-how and spirit of start-up, tradition and technology.

In addition, the Maison is building a multisensory experience around its wines with a musical function for both desktop and mobile devices. Similarly, Krug Champagne has eagerly embraced musical associations in its marketing campaigns, incorporating soundtracks into their Krug App. By scanning the unique ID on the back of each bottle of Krug, the owner of the bottle can read about the hundreds of wines that went into the careful blend of the Champagne (unless, of course, one was extra lucky enough to possess one of the few vintage single-vineyard bottles), as well as listen to the "Music Pairing". These are pieces of music that were (idiosyncratically) chosen by specific musicians as going particularly well with the Champagne.

The goal is to use an "sense" in addition to the sense of smell and taste to drink this elixir. Krug is trying to offer an all-round sensory experience through digital. In addition to the fact that Champagne is art, what he is trying to demonstrate is that there is no need to go directly to their company to taste their products but also, from a distance. Imagine, in a room with a soft light, good music selected by the author himself for that "coupe de champagne" that you are drinking.

Krug's Music Pairing series can be viewed on its website or on the mobile application. The first song, Beethoven's "Piano Concerto No. 5", automatically starts playing. This is

the soundtrack chosen to enjoy Krug's Grande Cuvée and consumers can click on a link under the music player to find out more about Champagne.

And then there is also a piece of Ravel for Krug's Rosé and Vivaldi's "Four Seasons" for its 2003 vintage. Also on the page there is a video of Mrs. Buniatishvili (Georgian pianist chosen at the moment by the Maison) on tour in a Krug cellar, who talks about how the complexity of making Champagne is like making music, where the process is not made by the person who enjoys the finished product.



Figure 15: Krug Sounds

## 5.3.3. Preliminary results

To reverse the direction of travel, the company has activated dynamic capabilities through the rediscovery and exploitation of its heritage.

As seen previously, Pini (2018) identified 4 phases that marked the change in this Maison, in which top managers, consultants, C levels and the rest of the company were involved in various actions and initiatives that have progressively brought the Henry Krug's legacy at the center of the stage and have transformed it into a powerful element of distinctiveness to create new value for the market.

**Phase 1**: the inheritance of the company or brand is identified for management purposes such as the repositioning of the brand or a new source of organizational identity. Concentrating corporate identity becomes the trigger of the change management plan and

the rediscovery of corporate assets could be found in a period of crisis or transition. This crisis could be related to internal or external causes:

1. (i) Internal causes are related to conflicts with workers, trade unions or external stakeholders (low or decreasing acceptance by local communities, conflicts with media and social groups).

2. (ii) External causes could refer to poor market performance, loss of channel power, increasing pressure from competitors.

To cope with these explicit tensions or conflicts, the company's top management needs support to clarify or redefine the company's identity and declare why things are done in a certain way within the organization. The corporate assets, with its timelessness and authenticity characteristics, are perceived as a very powerful tool for the realignment by top management.

**Phase 2**: this is the updating phase. The company's assets were highlighted during the rediscovery phase and are now subject to a process of interpretation by top management and consultants to adapt it to current organizational needs and situations. The updating phase is particularly relevant since the top management team and its external support system link the assets to the configuration of the business model and the engagement mechanisms. A strategic intent is incorporated into the corporate assets by top management and the support of external teams in order to exploit it as a source of business transformation.

**Phase 3:** this is the functional commitment phase. Organizational resources and technologies are activated around the new strategic direction given by the company's assets. The company uses resources to create and acquire value from innovations.

**Phase 4:** Heritage is used as an engine in order to better face internal and external challenges. Heritage could influence not only organizational culture and its ability to generate a sense of belonging to employees, but in a more radical way:

1. (i) key processes and how they are organized. The rediscovery of latent meanings could modify practices and behaviors in key processes and between processes.

2. (ii) key activities: the way in which the assets, both tangible and intangible, are perceived and managed within the organization could be dramatically modified by the introduction of corporate assets as a source of differentiation.

3. (iii) customer relations: the definition of customer experiences and the descriptions of brands are modified by the rediscovery of the assets. The level of customer involvement in the company's assets could be enriched and new contact points could be added (e.g. corporate museums, events, dedicated blogs and social pages)

4. (iv) revenue streams: inheritance could radically change the way a company extracts value from the market, allowing: a progressive lengthening of product lines; premium price positioning (Pini, 2018).

Summarizing, from the analysis of the 2 case studies and from a preliminary analysis of the data (which will be further explored in the following chapter), it is possible to hypothesize that, to answer my research questions, the heritage can be used specifically as a sizing capability. That is, like a bridge that guides companies from sensing capability (understanding what resources are available to the company) to transforming capability. Heritage, therefore, intended as a trajectory that paves the way for the company and helps it to face current challenges. In the case of this research help them in the most appropriate way.

# Chapter Six: Findings and conclusion

The objective of this exploratory study was to understand, through the analysis of two case studies, how companies with a strong heritage face one of the greatest challenges of recent years: digital transformation.

Urde, Greyser and Balmer (2007) define the heritage of the brand as "*a dimension of the identity of a brand that is in its precedents, longevity, fundamental values, use of symbols and in particular in an organizational conviction that its history is important*".

The heritage construct is often linked to the concept of family business, craftsmanship and product quality. But more generally, enhancing the history of a company, making it relevant for the present and for the future, it allows brands to differentiate themselves and create a competitive advantage, to communicate their values, create an emotional connection with the consumer and affirm their own authenticity.

Luxury consumers are also increasingly attracted by local products that draw on traditional knowledge and craftsmanship. They appreciate the prestige, authenticity and refinement of Champagne. It is important for the name to reaffirm its uniqueness, its history and its roots, adapting to new communication methods.

Starting from a general question: *Can heritage be considered a dynamic capability that guides the digital transformation process?*

I then focused on:

> **RQ1**: To which of the 3 dynamic capabilities can the heritage be traced?
>
> **RQ2:** Is it possible to hypothesize the conditions for activating the heritage?

In order to address this research question a case study based research, with exploratory purpose, was adopted. Yin (1984), defines the case study research method "*as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used*".

The reason for the selection of this research methodology rests in the fact that there are no previous results on this subject that might be validated through further investigations, while the theoretical frame of reference for this subject is still in an evolutionary phase.

Moreover, the constructs at the base of the research are at the intersection of different disciplines and fields of study, making the adoption of an explanatory approach very difficult when dealing with cases.

In the initial phase of the research I proceeded with a desk analysis of the two key constructs of this research: brand heritage and digital transformation, in order to monitor how far the literature has gone. From this perspective, the basic constructs of the research are examined, namely: heritage and the role of digitalization in creating and sustaining brand's relationship with the market. These constructs have been repeatedly analyzed in scientific literature though always separately (Tornatzky and Klein, 1982).

A study was carried out on the champagne sector and the reference market, which allowed me to identify an online / offline presence. Moreover, through the construction of a grid it will be possible to identify, not only the best in class in terms of digitization but also, the Champagne houses which instead show greater criticality.

The goal was to get a more in-depth look into the current situation, which is especially important for a research following an interpretivist approach where the researcher emerges into the social context.

Finally, during a 4-month visiting period in the city of Reims, home of Champagne, 7 interviews were made with the key players of Maison Taittinger and secondary data were analyzed (archive data, books, documents, etc.). For Maison Krug, the analysis took place only with secondary data. Interviews will be conducted later.

## 6.1. Key findings

The analysis of the 2 case studies presented in the previous pages of this paper highlights similarities and differences in the way dynamic capabilities are activated to cope with digital transformation, triggered by the adoption of a new meaning as the basis of the value proposition.

Both Maison taken into consideration have a very strong historicity and attachment to the past but, while Krug has managed to use heritage as a bridge between past and future; Maison Taittinger is still making the switch, with some more hesitation.

In the following table both Maison will be compared to outline the path towards a process of digitization, including of one's own heritage.

| Case studies | Maison Taittinger | Maison Krug |
|---|---|---|
| Foundation year | 1734 | 1843 |
| Revenue | 135,9 millions d'€ | 1630 millions d'€ |
| Founder | Pierre Emmanuel Taittinger | Joseph Krug |
| Current President | Vitalie Taittinger (Family member) | Margareth Henriquez (Manager of LVMH) |
| Awareness vs re-descovering | There is awareness, at all levels, of the historical importance within it. And they are also aware that, in order to survive, they need to "change" | After a period of bewilderment, due to historical passages, they rediscovered their heritage (also materially e.g. rolls Royce, booklet with procedure for making champagne, ecc). |
| Support during changing phase | Person from another technological company that help them to digitize different processes (e.g. doing e-commerce) | Margareth Henriquez, help them to re-discover heritage but it was not enough just to rediscover one's heritage but to transform it into practices and behaviors. |
| Stakeholder | During this process of change, some stakeholders change. Some have been canceled and others have arrived e.g. Illy coffee. Vitalie is the major influencer of the brand itself | They created relationship with various stakeholders e.g. influencers, journalists, sommeliers and other figures who help this Maison to use heritage as an added value |

Table 1: Comparison of Maison Taittinger & Maison Krug

As can be seen from the table above, Maison Taittinger is more than 100 years older than Maison Krug and therefore, the heritage is greater. Just think that by the time Maison Krug was born, Maison Taittinger already had 100 years of experience and heritage behind it. The heritage for Maison Taittinger has always been a distinctive skill.

At this point, Maison Taittinger would have a stronger "dynamic capability" to activate than the other Maison.

But, wanting to see also the other side of the coin, 100 years more of history have created a greater roots in its origins; much more difficult to "break" or better, to re-found.

The goal of this company is to digitize its various key processes while safeguarding its specificities as a champagne production company. Change but staying aligned with their DNA. Maison Taittinger has several dilemmas, first of all the fear of losing its traditional consumers, those who buy this Champagne know exactly the product they are buying but, above all how the company has come to produce that elixir. Still, Maison Taittinger is deeply rooted in its city, Reims, and it is as if it was afraid of betraying its homeland. In addition, Maison Taittinger has always been led by its heirs.

While Maison Krug has more instrumental heritage, because was acquired by several houses and then moved to LVMH in 1999. In this regard, the house was entrusted to a CEO's outside the family who, looking at the story from an external perspective, free from any emotional bond, revolutionized the strategy. It is fundamental, however, to underline that despite everything, the strategic revolution has maintained a very strong link with the past, highlighting it even more.

E.g. rediscovering in 2010 "The Legacy", a block note in which Joseph Krug (the founder) had noted in 1848 the main rules for an excellent production of Champagne Krug. To date, this elixir is produced still following these rules.

Or even rediscovering the Silver Shadow II Krug (Rolls Royce) commissioned in 1984, transformed into a van of the highest prestige. This machine traveled all over the world until the end of the 1980s, as a protagonist of brand promotion campaigns, but also as a real vehicle for delivering super-exclusives. The car stands out only for its decidedly unusual shapes, but also for its unmistakable livery: beige roof and upper part of the bodywork, such as the Krug Grand Cuvée label, door and burgundy lower part, to remember the Krug red.

Figure 1: Silver Shadow II, Maison Krug (1984)

Going to visit Maison Krug, it is possible to admire both the block note and the Rolls Royce, highlighted in particular as if they want to underline where they started from and that the houses are so famous today are totally owed to the founders and the history that is been written so far.

The crucial issue was not only the introduction of a "creative" director who pushed to give new meanings, but also the entire population (and the heirs of the Maison) who accepted the challenge by losing their past to find it soon after. The acquisition by LVMH did not therefore detract from its previous path, indeed, it could be assumed that the arrival of an external manager, free from any emotional bond, brought a breath of modernity. Paradoxically, the arrival of a person outside the Maison has highlighted the distinctive features of Maison Krug, emphasizing them and making them public even more without however going to touch the main assets of the company, e.g. Maison Krug, continues to use small wooden barrels as storage for crushed grapes, continues to stock up on the usual raw materials. In essence, the acquisition by LVMH did not damage the distinctive features of the Maison, rather it enhanced them.

On the other side there is Maison Taittinger, a great past and a great present, always owned by heirs of the family. Obviously, even here the historical elements are highlighted and all the people who work within it know the story that led them to success and have great respect for it. This company has a clear understanding of what their heritage consists of: in the history of the family; in the figure of the managing director, a charismatic person who took steps to buy back the house from a fund to ensure that it remained the complete property of the family; in a country estate (Château de la Marquetterie) purchased by their founder in the early 1900s which later became the birthplace of their brand and which, despite moving to another location, has maintained the original estate, enhancing it, not only by opening it to the public but also, organizing every event in the house there so that you never lose the link with the origins.

It is also true that, even from the interviews, it emerged how often this attachment to the past is binding to move forward. It has always been like this, it has gone well until today, it will also go well for the future, unfortunately this is not always true especially in a world in strong change such as the current one. Having a strong heritage means having a greater dynamic capability to be potential but also, more difficult to be activated and manage.

In fact, resistance often develops not so much for the change itself, but for the unknown it hides.

"*You know what you leave behind but not what you go through. But you have to go on.*" (Marketing Manager, Taittinger).

And here the stakes are really high. The first fundamental rule, which seems trivial but is not, is to understand and accept the need for change, especially by those who strongly believe that the current way of acting and behaving works well in this way because for many years it has they did it this way. Very often one does not realize that one is trapped in one's own cage. And that we built it ourselves, through our experience and our beliefs and we can no longer get out of it.

Maison Taittinger in some way takes the heritage inside for granted because they have never left direct control of the house.

Furthermore, Krug is part of LVMH and inevitably has to deal with the digital transformation but also to keep up with the other companies that make up this giant. Both

Maisons find themselves having to decide on a very delicate strategy. On the one hand, Krug has found its roots but must keep up with other companies.

Taittinger, remained independent, certainly has a greater attachment to its origins but these, looking at the other side of the coin, could act as a block. People are so identified with the brand that they struggle to see evolution.

When the identification, however, is strong and at times "blind", there is the risk of creating resistance to change, even and above all in an involuntary way. From all the interviews carried out it emerged that people understand the importance of changing, and in some way of renewing themselves, but the way in which doing so appears difficult and confusing. Having ideas is not enough, the important thing is to join forces to put them into practice. The risk is to remain a prisoner of one's history.

At this point, it is possible to state that for Maison Taittinger, the need to change is clear, the way in which to do it a little less. In this regard, they should adopt a digital transformation strategy more suited to their organizational strategy (sensing capability); e.g. one of the main objectives of Maison Taittinger is to remain "human", that is, the desire to safeguard certain roles (e.g. *vignéron*, the one who takes care of the *dégorgement,* etc.) and keep them free from any contact with digitalization. And also in this case the heritage could be used as a filter from digitalization, to maintain some "human" roles. It is right to do a benchmarking with your competitors, but it is also true that each company is just like the product it produces, that is, different from each other. And it must also be in the adoption of digitalization.

Once a form of digitization has been found that is appropriate to its structure and objectives, it must use heritage as a sizing capability, that is, as a sort of trajectory, like a lamp that illuminates their path.

The focal point in using heritage as a sizing capability, in my opinion, is contained in the brand's storytelling. In fact, the goal is to be able to bring the history, taste, craftsmanship and savoir-faire of the home into a digital platform. In a nutshell, digital transformation must be at the service of a story.

Telling the story and values of the company means, using the right tools such as social media, to stimulate a shopping experience in consumers. Storytelling is exactly this: an engaging story. This activity has become increasingly important, which today speaks of heritage marketing or the strategy that promotes and enhances a company through those characteristics that cannot be copied and falsified because they are part of the history of the brand.

For example, when consumers participate in an online contest or send photos and videos on the brand's social networks, when they comment on a brand blog article or when they go to the store to buy the new limited edition collection, they take part in the history of the brands and become authors of the same narrative, because they make the values or narratives of the brand their own and write part of that same story. This is the power of storytelling: the personification of users and emotional involvement.

The company history, through a process of enhancement, manages to become an additional element for the growth and development of the company. Heritage can become an instrument of excellence, provided that an investment is made on it, not just a race to capitalize on it. The heritage, if used as a sizing capability, metaphorically speaking helps to wipe out the leaves and illuminate the path that the company will have to take to change. This will also have evident repercussions on the corporate identity, leveraging on the fundamental values of the company, especially for the construction of its future. Heritage must be understood as an additional resource on which to invest, from the point of view of communication, branding and marketing strategies. Using your own story is a source of legitimacy and credibility in the eyes of the consumer, something you can trust as it has lasted until today, synonymous with perfection.

Rediscovering and activating heritage must not be seen only as a purely economic aspect, although it remains the ultimate goal of any company. But it must also be seen as the desire to share one's success with the surrounding environment, with the territory e.g. also through the creation of museums and company archives. It is as if the company wanted to insert its history, its past within a current context and create a connection with it. It is the company that manifests itself, that tells itself, highlighting how much its path went parallel to that of the reference territory. The company is no longer a solitary monad that thinks only of its earnings, but has fallen into a context, to which it contributes with its heritage.

Often companies, as seen also in the two cases reported, are not lacking awareness or social identity, but lacking the awareness of dusting off their heritage, bringing it back to light and using it as an important resource for their competitive advantage. The application of a strategy based on heritage passes through innumerable tools: from the museum to the archives, passing through the design of various heritage events up to the sites and social networks. Digging in the archives and warehouses of the companies it is possible to come across real forgotten precious elements: photographs, videos, prototypes, documents that testify to an idea, perhaps the birth of a product, just as

happened in Krug who discovered the block notes, in which the founder had written the recipes for making Champagne. The house of Champagne, while referring to a niche market, can no longer afford to remain closed in their own static nature, remaining locked in their certainty of producing an inimitable elixir and keeping their heritage exposed in a dusty theca, but they must be able to express themselves, make themselves known and communicate their value to everyone.

Communication and enhancement activities can no longer be considered secondary services. The "digitalization" process therefore should not be perceived as a reason for losing one's uniqueness and craftsmanship, but as an opportunity to make the company a living place that knows how to interpret external changes, the needs of its consumers and even internal needs. Some champagne houses, do not have a website and some of thos who own it, still use backward interfaces, resulting ineffective in guiding and entertaining the user. In fact, if the company manages to entice the consumer, this despite not knowing the brand in question, may be tempted to buy it. The point is that many of these houses do not even have an e-commerce (e.g. Maison Taittinger). But today, it is unthinkable to think of using only the website to communicate and attract customers, they need to create blogs and chats, and use social networks. These will allow users to exchange ideas and opinions about the product, to "get curious" among themselves. These tools allow the company to use the data to understand the tastes of its consumers and, it will be possible to build a very strong relationship with its followers, creating opportunities for comparison and elaboration of new cultural contents.


## 6.2. Managerial implications

Despite the exploratory nature of this study, some managerial implications can be provided.

Heritage as a company assets are a powerful organizational resource when they are strategically integrated into a digital transformation.

The luxury companies, in the case of this thesis, Champagne Maison must face this current challenge. Consumers, values, their habits have changed and consequently, even if the company does not find new ways to communicate, it will risk remaining anchored to its past.

As previously stated in the key findings, Maison Krug is already using heritage as a dynamic capability, in a more instrumental way.

On the other hand, Maison Taittinger, having a greater heritage (when Maison Krug was born, Taittinger already had 100 years of history and experience), it creates a little more of limits and concerns, e.g. claiming to want to remain "human". Obviously champagne falls into those product categories that must remain at times "human" because craftsmanship in luxury goods is one of the distinctive elements and also, motivates the high price that a consumer is willing to pay for having that product /service. But these limitations and concerns are likely to incarcerate the company in a vicious circle. That is, wanting to change only on a theoretical level.

Hence the need to evaluate the online communication of brand assets, in order to identify strengths and weaknesses in the action to exploit the potential of the heritage brand in the digital environment.

Before embarking on a total change, such as that of digital transformation, it should have an ex-ante plan in order to have a clear understanding of the steps to follow, above all in a context where the need to safeguard your heritage. Innovation and the past have not always led to satisfactory results.

Obviously, the context of the two case studies is a particular context. Much has been written in terms of innovation, the fundamental role that technology plays, digital and so on, but it must be considered that there are contexts in which innovation is difficult to implement. What has been discovered in this research is that heritage could come to the rescue of innovation, if activated correctly. At the moment, many managers are trying to bring concepts such as design thinking, creativity, versatility and other methodologies to their companies. The point is that these methodologies are based on the generation of ideas; while, the heritage being already inside does not need to be generated but revitalized.

It is possible to basically identify 2 ways of using the heritage:

1) To evolve the attributes of products, communication strategies, organizational processes starting from the corporate DNA, but taking care of their evolution. At this stage we are the architects of this change. Obviously, all while maintaining a consistency with its origins, the evolution must be consistent with the company's experience. In fact, each company will have a different evolution from each other. Heritage can be seen as intrinsically performative. To think that the interpretation of an ancestor shapes the way in which his descendants live the present, the expectations they have for the future, the

choices they make and the actions they take. The turning point is to start considering heritage as performative, and be seen as a continuous set of practices through which the past can be used to help actors face challenges.

This means using heritage as a dynamic capability, which helps tackle digital transformation.

2) Heritage as something that must be preserved, to be left intact and to be kept as it has always been. The risk, however, is that its history does not evolve and therefore, heritage could become a handbrake especially towards digitalization. Another risk is that in this way, the heritage is recognized only by the company that owns it and by the local community, but in a globalized world like ours all the other consumers may not be able to perceive the importance of this past and to see it as an element of differentiation. At this point the company would become self-referential, risking being overtaken by the competition. The challenge is to make this transformation live also for the outside world. In fact, always referring to consumers, surely the company must protect the so-called brand loyalty of traditional consumers as the most significant measure of a brand's value is consumer loyalty (repeated purchase, word of mouth, etc.). Important is the consumer's familiarity with the brand itself. A familiar brand gives a feeling of security to the customer, who will be led to consider the product and buy it. Not to mention the subjective and emotional perceptions related to the product, which play a significant role in the value of the brand.

Probably, a traditional consumer of Maison Taittinger also purchases this product due to the historicity possessed by the company, which instills values of safety and high quality. The risk, however, is that this value remains within the walls of your city, and the rest of the world does not become aware of these distinctive features.

In a world like ours, governed by strong competitiveness and a free market, we must leverage, as also suggested by the theoretical framework of this work, the resources within it. Heritage is a very important resource, an enabler for many organizational challenges. For a company, moving its focus from the domestic to the international market is already a big change in itself. And, in the case of high quality products such as champagne, a special effort must be dedicated to communicating its offer and the history that has made the company great: it is essential that a correct perception of the value of the offered, but above all the quality and craftsmanship of the company product offered. Companies must enhance their heritage in order to appear increasingly "historic" and less "old".

Using heritage as a dynamic capability means being aware of how the history of the company can be not only a hagiographic value to be used in communication, but also a real tool for implementing market analysis policies, historicizing one's distinctive culture, through the re-enactment of entrepreneurial traditions lasting ten years, secular and sometimes even beyond, such as: the spectacularizing of anniversaries, company birthdays, vintages, etc. packaged in the form of real communication events with strong media potential, but far from being limited to a purely advertising and self-promotional use. So that tradition can be taken as a real relational platform, capable of strengthening the identity of an organization and facilitating quality interactions with stakeholders.

The goal of the companies must therefore be able to formalize and interpret their past, making it relevant to the current context. An easier target for large companies, more structured and market oriented, much more complex for small companies that still have an exemplary, often intergenerational, entrepreneurial experience. Hence, heritage as the added value of a historic company, as an identity heritage, as an opportunity for appreciation also and above all on international markets, as a tool to maintain that reputation which is a decisive element in defining the image of a family and a company. The goal of today's luxury companies is not only to create a perfect customer experience, but also to have an adequate social presence and to rewrite new forms of communication with their customers.

## 6.3. Theoretical implications

Teece, Pisano and Shuen (1997, p. 516) developed the first definition of dynamic capabilities, using it to refer to the firm's abilities to integrate, construct and reconfigure internal and external competences and thus to respond to competitive environments rapidly.

The capacity an enterprise has to create, adjust, hone and if necessary, replace its business model is foundational to dynamic capabilities and researchers have alternately defined dynamic capabilities as a capacity to build, integrate and reconfigure (Teece et al., 1997); integrate, reconfigure, gain and release, and match environmental change (Eisenhardt and Martin, 2000), generate and modify (Zollo and Winter, 2002) and create, extend and modify (Helfat et al., 2007) organizational routines/resources. In a later advancement Teece (2007) disaggregated dynamic capabilities into the capacity to (a) sense and shape opportunities and threats, (b) seize opportunities, and (c) to maintain competitiveness

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through enhancing, combining, protecting, and when necessary reconfiguring the business enterprise's intangible and tangible assets. To try to maintain their competitive advantage, companies must renew their wealth of precious resources in parallel with changes in the outside world. Dynamic capabilities help companies make these changes. It allow companies to continuously have a competitive advantage and may help companies avoid the development of fundamental rigidities that inhibit development, generate inertia and smother innovation.

The theoretical objective of this paper is to add one more strand to the existing literature on heritage and digital transformation, that is, to no longer see heritage as an obstacle to digitalization processes. But rather, using heritage as a trajectory that paves the way for future challenges. Heritage intended not as a handbrake, but as an extra gear for those who own it.

And here, the second theoretical contribution, referring to dynamic capabilities. Heritage as dynamic capability, as a source of competitive advantage.

Heritage is considered a very precious resource within the organization which, should not be used only as a distinctive element towards the outside, creating a competitive advantage and seeking to create loyalty in its consumers; but, it must be used and activated by the company itself as a beacon that guides the change process. More specifically, of the 3 forms, heritage must be considered as sizing capability, that is, as a path that helps the company find the right transformation.

## 6.4. Limitations and future researches

The exploratory nature of this research places some limitations on the generalization of results.

As a future research phase, this typology can be a useful reference point for an empirical study having a diagnostic function for those companies that want to better understand the heritage within their company and therefore face initiatives in order to create organizational preconditions that better support.

Some limitations are related to the methodology adopted and also to the selected cases.

The companies have been selected with the aim of clearly showing the attachment to their roots and the different paths that a company can take to activate heritage as a capability.

Two luxury companies were analyzed, and above all belonging to an even more niche market: Champagne.

Other research could be conducted in apartment companies in other sectors outside the world of luxury. In fact, heritage, craftsmanship and reconstruction of the concept of authenticity are pillars for the world of fashion & luxury, but for other companies? Which asset becomes really fundamental in order to activate and use the heritage?.

Furthermore, this research took into consideration the past and the future, that is, heritage and digital transformation. But the latter is not the only challenge that companies face, and digital transformation is not the only process that could jeopardize a company's heritage. Therefore, other research could relate the heritage to other organizational challenges and develop different models.

In addition, 2 case studies were investigated but only one through interviews and stay within the company. The other case, unfortunately, was analyzed only with secondary sources and this could have caused a distorted reading of the data.

These limitations for the generalization of the results offer the possibility to proceed with future investigations on the topic.

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| Company's Name | Foundation year | City | Site | Facebook | Twitter | Instagram | Pinterest | Youtube | Linkedin | E-commerce | Revenue 2018 | Num. Employees | Other information |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alexandre Bonnet | 1979 | Aube en Champagne | Site in French, English and German. The technical data sheet opens for each wine | Post every week but with photos of events, never advertising of own bottles like Ruinart, Taittinger, etc. | No | No | No | No | No | Appears from different sites but not from the site directly | 220,7 millions | 3 | Group: Lanson BCC |
| Alfred Gratien | 1864 | Epernay | Site in French, English and German | Post about every 12 days. Few followers. Images mainly of organized events | 83 followers; 149 tweets. They tweeted on October 19, 2018 and then the other on April 6, 2019. Registration January 2017 | No | No | No | No | Appears from different sites but not from the site directly | 4,1 millions | 5 | Gruppo Henkell & Co. We welcome you from Tuesday to Saturday, from 10.00 am to 1.00 pm and from 2.00 to 6.00 pm then, to discover our knowledge and cuvées. We offer you different guided tasting experiences of our iconic champagnes from the non vintage range to our best vintages. In addition you can benefit from our food and wine pairings selection "Les Moments gourmands d'Alfred Gratien" (required reservation). |
| Ar Lenoble | 1920 | Damery | Site in French and English. They have a blog | No | No | No | No | No | No | Appears from different sites but not from the site directly | 5,4 millions | 10 | Sister-and-brother owners Anne and Antoine Malassagne are the great-grandchildren of Armand-Raphaël Graser who founded AR Lenoble in 1920. For nearly a century, AR Lenoble has remained 100% family-owned and 100% independent. In 1993, sister-and-brother Anne and Antoine started to transform the house they inherited into one of the jewels of the Champagne region. AR Lenoble was the second House in Champagne to be awarded the "Haute Valeur Environnementale" certification in recognition of more than 20 years of environmentally-friendly procedures put in place on the estate: zero use of chemical fertilisers and weed killers, drastic limits on the use of phytosanitary inputs to control mildew and powdery mildew in the vineyard, and particular attention to biodiversity and enhancement of the vineyard with hedgerows, orchards, embankments, trees and low walls. |
| Ayala | 1860 | AY | Site in French, English, Italian, Spanish and German | The last post dates back to December 17, 2018. They have only published posts in October with a certain frequency and that's enough | The twitter page is shown on the site but when you click on it it says that the page does not exist | 96 post and 15,1k follower. 100-200 like | they have 12 pictures and 10 follower | They have their own channel with 5 videos, dating back to 1 year ago | No | The site refers you to all distributors around the world | 13,7 millions | 17 | Group: Bollinger |
| Barons De Rotschild | 2005 | Reims | Site in French and English | Fairly recent posts and every 2/3 days | no | 863 post, 24,2k follower. 200/250 like | no | They have their own channel opened 1 year ago, 5 videos and the most recent one dates back to 2 months ago | No | For distribution there is a map on the site and by selecting the country the distributors from whom to stock up come out. Or you can buy online from various sites | 11,4 millions | 22 | |
| Besserat de Bellefon | 1843 | Epernay | Only online store | Very active | No | 184 post, 5364 follower. 200/1000 like | no | They have their own channel with 3 videos and the most recent one dates back to 1 month ago | No | Possible to buy direct to the site | 220,7 millions | 104 | Group: Lanson BCC |
| Billecart-Salmon | 1818 | Mareuil-sur-ay | Site in English and French | They publish posts every 2/3 days, also sponsoring their events. It is possible buy it directly from facebook | 4134 tweet, 6242 follower. They use twitter frequently | 723. post, 38,6k follower. 800/1000 like | 136 follower. It is used quite often | No | No | Different site, on their facebook page | 52,2 millions | 100 | |
| Bissinger | 1875 | Reims | Site in French | Post every 5/6 days but especially photos of the school and the training courses that are organized | No | No | No | No | No | Different online site | 226,7 millions | NP | Group Vranken-Pommery Monopole |
| Boizel | 1834 | Epernay | Site in English and French | It is used quite often, with more posts per month (logistic information eg time change, event organization). They do not answer to posts | Twitter registration in 2011. They publish almost once a month. 732 tweet, 1988 follower | 260 post, 2556 follower. Often used. 80/100 like | No | No | No | Different online site | 220,7 millions | 13 | Group: Lanson BCC |
| Bollinger | 1829 | Ay | Site in English and French. You can share the bottle you prefer on facebook or twitter, directly from the site | They use a lot of facebook even with more posts per day. They do not answer to posts | 176 tweet, 442 follower. They posted a tweet on February 18th and then on April 24th | 666 post, 105k follower. 1000/2000 like. Photo quite every day | No | No | 3493 follower. They use linkedin 1 post each months (around) | Different online site | 80,3 millions | 107 | Group: Bollinger |
| Brice | 1994 | Bouzy | Site in English and French | Used very little. 1 post in August 2018 and another in December 2018 | 8 post, 252 follower. Not very used, 60/100 like | No | No | No | No | Different online site | 1,3 millions | 6 | |
| Bruno Paillard | 1981 | Reims | Site in French, English, Italian, Giapanese and Chinese. Explains in detail the steps, the disgorgement. He puts his bottles alongside works of art | It is often used, even several times a day. Videos are often published. Does not answer to people's posts | No | No | No | No | No | Different online site | 8,1 millions | 16 | |
| Canard-Duchene | 1868 | Ludes | Site in English and French. | Facebook is often used, even several times a day. By clicking on the facebook photos, I refer you to the site where you can buy online | No | 218 post, 15,1k follower. 400 like | No | No | 196 follower. It is not used much | By clicking on the facebook photos, I refer you to the site where you can buy online or in different site | 62,8 milions | 38 | Group: Thiénot |
| Cattier | 1918 | Chigny-les-roses | Site in English and French. It is possible to buy directly from the site. | They don't have social channels | | | | | | Different online site or directly from the site. | 4,3 millions | 15 | |
| Chanoine | 1730 | Reims | site work in progress | They don't have social channels | | | | | | Different online site | 220,7 millions | 36 | Group: Lanson BCC |
| Charles de Cazanove | 1811 | Reims | Site in English and French | Very little used, 1 post a month. Not very attractive | No | No | No | No | No | Different online site | 68,0 millions | 48 | Group: Martel & Cie |
| Charles Heidsieck | 1851 | Reims | Site in French, English and Spanish | Used quite frequently, even several times a day. Old events and videos are published that recall the history of the fashion house. They sometimes answer to people's posts | Registration October 2009. 1076 tweet, 4809 follower. Rather than posting tweets, they re-tweet | 269 post, 28k follower. 1000/1500 like | No | No | No | Different online site | 90,4 millions | 120 | Group Pipere & Charles Heidsieck- EPI |
| Charles Mignon | 1995 | Epernay | Site in English and French. Technical sheet for each bottle | Frequently used, even several times a month to sponsor their own bottles but also events. They do not answer to posts | Registration May 2010. 314 tweet, 579 follower. Frequently used, also re-tweet | 103 post, 371 follower. Around 50/70 like. Not really used | No | No | No | Different online site | 13,2 millions | 9 | They used Tumblr |
| Comtes de Dampierre | 1986 | Bouzy | Site in English and French. Very basic | Used very little, a post on December 20, 2018 and another in March 2019 | No | No | No | Has the youtube icon on the site but when you click it nothing opens | No | Different online site | 0,7 millions | 2 | |
| Cristian Senez | 1973 | Aube en Champagne | Site in English and French. It is possible to buy directly from the site | No social media | | | | | | Different online site or directly from the site. | 4,5 millions | 10 | |
| Cuperly | 1845 | Verzy | Site in English and French. Technical sheet for each bottle | Used very little, a post on March and then April (sometimes only logistic information) | No | 666 post, 447 follower. 50/60 like. Not really used | No | No | No | Different online site | 6 millions | | |
| De Castellane | 1895 | Epernay | Site in English and French. Technical sheet for each bottle. The site is interactive and exhaustive. The site does not refer to any social media | There is an official page of the maison but the posts date back to 2016 | No | No | No | No | No | Different online site | 210,5 millions | | Group Laurent-Perrier. The Chateaux of Castellane is beatiful and it's relating to the art. |
| De Venoge | 1837 | Epernay | Site in English and French | Not much used, a post dates back to February and the other to 11 April 2018 | No | The site refers to instragram but when you click it says "sorry, this page is not available" | No | They have their own channel with 5 videos, the last one dates back to 2 months ago | 105 follower. Little used, the posts date back to 9 months / 1 year ago | Different online site | 220,7 millions | 12 | Group: Lanson-BCC |
| Delamotte | 1760 | Le Mesnil-sur-Oger | Site in English, French, Spanish, Japanese and Chinese. When you choose the bottle, the technical sheet opens and you can also share it in facebook and twitter | Very active on facebook, even more posts per day. They post above all articles that concern them | Registration June 2010. 2145 tweet, 2280 follower. Last post dates back to March 2019 | 471 post, 3424 follower. 200/350 like. Not very used | No | No | No | Different online site | 210,5 millions | | Group Laurent-Perrier |
| Deutz | 1838 | AY | Site in English and French. Not very friendly | In the facebook profile they have never published any posts but they are the tourists who tag them | No | No | No | No | No | Different online site | 43 millions | 84 | Group:Louis Roederer |
| Dom Pérignon | 1668 | Epernay | Site in English, French and Spanish. Very attractive, allows you to enlarge the image. Very interactive site. From the site, with a map, you can find the nearest store. You can subscribe to the newsletter | From the site by clicking on the facebook icon it says "sorry, the content is not currently available". There is no real official page, but there are several pages created by the people who tag the maison | No | 858 post, 551k follower. Used a lot with photos that reach 171 thousand likes | No | It does not have an official channel but there are several videos of people explaining the dom perignon | No | Different online site | 1496 millions | 2314 | Group:MHCS & LVMH. Lenny Kravitz creative director. Collaborates with contemporary artists Maurizio Cattelan and Pierpaolo Ferrari, co-creators of toiletpaper magazine, to explore the unbridled power of inspiration |
| Duval-Leroy | 1859 | Vertus | Site in English and French. | Used frequently, with more photos of events, ceremonies and training courses organized by this fashion house. Sends you back to a site where you can buy bottles | Registration June 2010. 1168 tweet, 1747 follower. Not particularly used, last post dates back to January 2019 | 535 post, 2962 follower. Not particularly used, like from 70 to 150 | No | No | No | Different online site or directly from facebook | 25,1 millions | 89 | indipendent house since the beggining |
| Edouard Brun & Co | 1898 | Ay | Site in English and French. Site full of information. There are no social media links | No social media | | | | | | Different online site | 1,4 millions | 9 | |
| G.H. Martel & CO. | 1869 | Reims | Site in English and French. It is possible to download the technical data sheet of each product. Very basic | 1213 follower. Not much used, a post in January, another in March and the last in April to celebrate 150 years | No | No | No | No | No | Different online site | 68,9 millions | 48 | Group: Martel & Cie |

| House | Founded | Location | Website | Value (millions) | No. | Group / Notes |
|---|---|---|---|---|---|---|
| Gardet | 1895 | Chigny-les-roses | Site in English and French. Technical sheet for each bottle | 8,6 millions | 16 | |
| Gosset | 1584 | Epernay | Site in English and French. On the website, they refer to the boutique where you can buy the bottles | 16,8 millions | 29 | Group: Renaud Cointreau |
| Heidsieck & C. Monopol | 1785 | Reims | Site in English and German. From the site it is also possible to access the pages of Champagne Vranken, Pommery, Monopole Heidsieck & Co and Charles Lafitte. No link to social media | 226,7 millions | 814 | Group: Vranken-Pommery Monopole |
| Henri Abelé | 1757 | Reims | Site in English, French and Spanish. Traces all the important dates in the history of the fashion house. They define themselves as a "boutique" champagne house. No reference to social media from the site | 4,3 millions | 9 | Group: Freixenet SA |
| Henri Giraud | 1975 | Ay | Website under construction | 6 millions | 12 | |
| Henriot | 1808 | Reims | Site in Italian, English, French and Japanese. It refers to all the "ambassadors" (clubs, restaurants, etc.) who sell the maison's product | 20,7 millions | 29 | |
| J. De Telmont | 1912 | Damery | Site in English and French. The site refers to their boutique where you can buy bottles. Events or articles are reported in which the maison is mentioned. The site also refers to tripadvisor | 4,8 millions | 17 | |
| Jacquesson | 1798 | Dizy | Site in English and French. Site in black and white, as if it were ancient. Very beautiful and particular, there is no link to social media | 6,3 millions | 19 | |
| Jacquinot & Fils | 1947 | Epernay | Site in French, English, Chinese and Japanese. From the site you can reach the ambassadors who sell their bottles | 0,6 million | 8 | |
| Janisson & Fils | 1990 | Verzenay | Site in English and French. Refer to the link of the boutique in Epernay where you can buy champagne | 11,8 million | 10 | Plus qu'un lieu de vente, la vocation de cette boutique est d'être une véritable porte ouverte sur le champagne. Avec son petit côté « Epicerie familiale », l'ambiance y est simple et amicale. Toute l'année, les touristes – souvent étrangers – s'y arrêtent pour découvrir et déguster les cuvées du champagne Janisson-Baradon… Australiens, Japonais, Américains, ils y reviennent pour prendre des nouvelles ! |
| Joseph Perrier | 1825 | Chalons-en-champagne | Site in English and French. Interactive site, does all the steps of production (in an animated way). Well cared | 10,1 millions | 21 | |
| Krug | 1843 | Reims | Site in English and French. With Krug ID you can find the bottle you purchased and know all the information (matches, storage, etc.) regarding the bottle you purchased. Some bottles are associated with songs by singers. It is also possible, by creating a special password, to go to your own "cellar" and save all the products | 1496 millions | 1650 | Group: MHCS & LVMH. They have a "Krug" app that you can download to your mobile and scan the Krug ID barcode. |
| Lallier | 1906 | Ay | Site in French, English, Italian, Spanish and German. For each product there is a technical sheet and it is possible to tweet, publish the product on instagram or facebook | 9,5 millions | 10 | |
| Lanson | 1760 | Reims | Site in English and French. Clean site, with all the necessary information (including financial information), shows all the fashion houses that are part of this group. No reference to social media | 220,7 millions | 155 | Group: Lanson-BCC |
| Laurent-Perrier | 1812 | Tours sur marne | Site in English, French and German. Site friendly but appealing. There is a "follow us" and clicking on your home country sends you to a facebook and instagram page | 210,5 millions | | Group: Laurent-Perrier |
| Leclerc-Briant | 1872 | Epernay | Site in English and French | 2,6 millions | 13 | |
| Louis Roederer | 1776 | Reims | Site in Italian, English, Spanish, German, Russian, Chinese and Japanese. It allows to insert on the site the number indicated on the rear label and to identify the bottle. You can also download the application to scan the code on the label. On the site there is a page dedicated to current events / events. On the site you can also enter the year of the vintage and the chef Chef de Caves describes it | 126,2 millions | 188 | Group: Louis Roederer |
| Marie Stuart | 1867 | Taissy | Does not have its own website | 62,8 millions | | Group: Thiénot |
| Mercier | 1858 | Epernay | Site in French and Russian. The site refers only to facebook | 2314 millions | 2314 | Group: MHCS & LVMH |
| Moët & Chandon | 1743 | Epernay | Depending on the country you select, the site appears in the original language. Well done site, for each champagne I'll explain with what percentage of grapes is made, how to serve it, at what temperature and each bottle has its hashtag | 1496 millions | 2314 | Group: MHCS & LVMH. In spring 2018, Moët & Chandon launches its Rosé Capsule Collection. This limited edition represents a modern and light-hearted tribute to Madame de Pompadour, the great "influencer" of the 18th century who consecrated the success of the Maison Moët & Chandon at the court of Versailles. |
| Mumm & Cie | 1827 | Reims | Site in Italian, French, English. It is possible to buy the bottle directly from the site. You can share one of the union belt gifs. In the "drink Mumm" page it refers you to all the places in your vicinity, where you can taste this champagne | 110,9 millions | 228 | Group: Pernod Ricard |
| N. Gueuquin | 1994 | Oiry | Site in English and French. No reference to social media. It is possible to contact them only by email | 59,9 millions | 29 | Sell in the discount eg. Aldi for 12 euros |
| Perrier-Jouët | 1811 | Epernay | Site in English and French. Site well done and full of details. If you click on the app (facebook, instagram, etc.) from the site it says that the page does not exist | 93,5 millions | 85 | Group: Pernod Ricard. Combines artist's design with champagne |
| Philipponnat | 1522 | Mareuil-sur-ay | Site in English, French, Italian and Spanish. very used. Also on facebook, references to art and entertainment | 220,7 millions | 23 | Group: Lanson -BCC |
| Pierre Mignon | 1970 | Le Breuil | Site in English, French, Spanish and German | 6,1 millions | 12 | there is the possibility of making personalized labels to stick to the champagne bottle |
| Piper-Heidsieck | 1785 | Reims | Site in Chinese, English, French, Japanese and German. Very interactive. You can take a close-up on the bottle and "shake" all the information. Very attractive site | 90,4 millions | 120 | Group: Piper & Charles Heidsieck- EPI |
| Pol Roger | 1849 | Epernay | Site in English and French. The site where Pol Roger distributors are in the world. The site does not include references to any social media | 38,5 millions | 54 | As first information on the site appears that Pol Roger was drunk at the wedding of Prince Henry and Meghan Markle |
| Pommery | 1856 | Reims | Site in French and English. | 226,7 millions | 814 | Group: Vranken-Pommery Monopole |
| Ruinart | 1729 | Reims | Site in French, Italian, German and English. Very interactive because the different steps for the production of champagne are animated. There is a part related to art (to exhibitions, collaborations with artists, etc.) | 1496 millions | 2314 | Group: MHCS & LVMH. He has many collaborations in Italy, is present at the Rinascente in Rome, presented the Sommelier edition in Italy 2019, has a collaboration with the chef Oldani. It is the oldest champagne house. Nicholas Ruinart was the first man to make and sell champagne in 1729. He founded his house to make Ruinart Champagne the Best wine in the world. At Chicago in 1893 the world's fair jury gave to Ruinart the highest and only award for Brut Champagne. |
| Salon-Delamotte | 1921 | Le Mesnil-sur-Oger | Site in English, French, Spanish, Japanese and Chinese. The site where Salon-Delamotte distributors are in the world. | 210,5 millions | | Group: Laurent-Perrier |
| Taittinger | 1734 | Reims | Site in English and French. From the site you can reach facebook, twitter, instagram, pinterest and youtube. "Family spirit" appears. In the main menu as the first entry. You cannot buy directly from the site. | 128,6 millions | 194 | In 2017, Taittinger planted its first vines in England, near a village in Kent, for its venture into English sparkling wine. The first bottle will be ready in 2023. They bought the Irony group |
| Thiénot | 1985 | Reims | Site in English, French and Chinese. On the site you can go directly to the e-shop | 62,8 millions | 38 | Group: Thiénot. Share with us your Thiénot moments and send them on instant@thiénot.com. The best pictures will be published |
| Have Cheurlin (J. Arnou) | 1919 | Aube en Champagne | Site in English, French and Italian. | 2,3 millions | | |
| Veuve Cliquot | 1772 | Reims | Very attractive and well done site. Site in English, French and Italian | 1496 millions | 2314 | Group: MHCS & LVMH. They also have Tumblr |