BOOK REVIEW

When Tradition Turns into Innovation:
How Firms can Create and Appropriate Value Through Tradition

Reviewed by Emma Puerari, Department of Architecture and Urban Studies, Polytechnic University of Milan, Milan, Italy

When Tradition Turns into Innovation: How firms can create and appropriate value through tradition
Antonio Messeni Petruzzelli & Vito Albino
© 2012 by Woodhead Publishing Limited
152 pp.
$80.00
ISBN: 978-1843-346-64-7

The present book presents a novel perspective of the innovation process, focusing on the strategic role that may be played by tradition as a source upon which building novelty and shaping competition. Following the recombinant view of innovation, which sees knowledge creation as a recombination associated with the development of a new product, process, or market by combining existing bits of knowledge (e.g., Schumpeter, 1934; Fleming, 2001; Kogut and Zander, 1992), this research intends to figure out the importance of combining and exploiting old and established competencies and capabilities (Katila, 2002; Nerkar, 2003; Messeni

Petruzzelli, & Savino, 2012), as well as the impact that this may exert on innovativeness. In line with this theoretical perspective of innovation, the book proposes the notion of tradition, defined as the whole set of competencies, knowledge, values, and culture that characterize a specific firm, as well as a territory and an age. The authors suggest that, by exploiting tradition, a firm may select distinctive old components, belonging to its history, or to a specific territory and age, transfers them over time, and incorporates these old elements into its current production processes and business practices, thus creating new value for customers. In other words, by combining hard and soft features, tradition allows the firm to differ from its competitors in terms of both meaning and content, to promote uniqueness, and consequently to achieve a competitive position. Thereby, the strategic role played by tradition mainly rely on the fact that it may enhance firm's capability to both create new value for customers and to appropriate this value.

The proposed approach for creating new value through tradition is based on the leveraging of two main drivers, as technology and design. Furthermore, both technology and design may be applied to develop products or processes. The use of traditional technology at product level refers to the functionality given to products by old technological solutions and techniques that may be able to better address specific customer needs. Differently, a traditional design is related to the semantic dimension of products, especially to the meaning and values that it transfers to customers (Verganti, 2009). At the process level, using traditional technologies and design generally implies the application of artisanal techniques, as well as ways of organizing production, that contribute to distinctively characterize processes, by reducing their standardization and increasing the differences and, thus, the value that each customer may obtain (Sennet, 2008). Nevertheless, exploiting traditional technology and design, at both product and process level, is not enough to make such an employment as profitable and to assure a competitive advantage. In fact, a firm need to capture the created value, limiting others from imitation and enhancing margins and profits from the final products (Teece, 1986). To address this goal, the firm has to establish a tight relationship between products/processes and its identity, reflecting tradition in its organizational routines. In other words, tradition must assume a central role within the firm, affecting its way of producing goods and services, as well as its mission and vision. So doing, a firm may be able to limit others from imitating, sharing with customers the traditional values and meanings that contribute to make it different from competitors. Firms that use tradition for both creating and appropriating value are defined as tradition-based. In the present book, the authors focus our attention on this specific category of companies, highlighting which kind of tradition they employ (firm, territory, age), which drivers they use to embed tradition into products and processes (technology, design), and which initiatives are undertaken to increase appropriability. Specifically, seventeen companies are

discussed, selecting tradition-based firms operating as a leader in the international markets.

The book is structured in five chapters as follows. Chapter 1 proposes a review and criticism of the actual innovation approaches, highlighting how the actual economic scenario imposes the necessity of rethinking innovation. In Chapter 2, the concept of tradition is analyzed, by presenting its meaning and origin, as well as why it may assume the semblance of a competitive driver. Chapter 3 discusses the strategic role of tradition, explaining how it may be embedded both in products and processes, focusing on two distinct drivers as technology and design. Furthermore, the strategic role of tradition is investigated from the value creation and appropriation perspectives, showing its relationship with firms' performance. Chapter 4 presents and discusses several cases of companies strategically exploiting tradition. Firms are worldwide located and operate in different industries, such as pharmaceutical, food, beverage, and financial services. Finally, in Chapter 5 the main ideas, concepts, and approaches emerged in the book are summarized, thus tracing the pattern of an alternative innovation strategy.

REFERENCES

Fleming, L. (2001). Recombinant uncertainty in technological search. *Management Science*, *47*, 117–132. doi:10.1287/mnsc.47.1.117.10671

Katila, R. (2002). New product search over time: past ideas in their prime? *Academy of Management Journal*, *45*, 995–1010. doi:10.2307/3069326

Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, *3*, 383–397. doi:10.1287/orsc.3.3.383

Messeni Petruzzelli, A., & Savino, T. (2012). Search, recombination, and innovation: Lessons from haute cuisine. *Long Range Planning*. doi:10.1016/j.lrp.2012.09.001

Nerkar, A. (2003). Old is gold? The value of temporal exploration in the creation of new knowledge. *Management Science*, *49*, 211–229. doi:10.1287/mnsc.49.2.211.12747

Sennet, R. (2008). *The craftsman*. New Haven, CT: Yale University Press.

Teece, D. J. (1986). Profiting from technological innovation: implications for integration, collaboration, licensing and public policy. *Research Policy*, *15*, 285–305. doi:10.1016/0048-7333(86)90027-2

Verganti, R. (2009). *Design-driven innovation: Changing the rule of competition by radically innovating what things mean*. Boston, MA: Harvard Business School Press.

Emma Puerari is a PhD student at Politecnico di Milano. She holds a Master of Science Degree in Architecture, major in Sustainable Development, from Politecnico di Milano. Her graduation thesis is on the assessment of sustainability in urban planning. She attended an internship at UDSU at the University of Strathclyde in Glasgow (UK) during the elaboration of her master thesis. She collaborated in several design consulting projects both for technical consultancy and for research activities