Value Creation in Tradition-led Industries: The Role of Innovative Practices. The Empirical Evidence from the Italian Wine Industry

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Received January 18, 2025 – Accepted March 18, 2025

Abstract

In this study, we investigate whether firms create value in a tradition-led setting, through innovative efforts. Prior research has observed that in such a setting some actors opt for a creative representation of established products (i.e., a song, an opera, a piece of art, a fashion item, and so on); in contrast, others rely on a more traditional interpretation of the same products. Less investigated, to date, has been whether the decision to opt for an innovative behavior in a tradition-led context leads to value creation, or not. To this end, we conducted research in the Italian wine industry between 1999 and 2009 to investigate whether adopting innovative practices (i.e., aging wine in barrique), led to value creation and what other occurrences intervened in the value creation dynamic. Our findings suggest that innovation sustains value creation and that, in a tradition-led context, a firm's portfolio breadth negatively moderates the above relationship.

Keywords: Value creation, Tradition-led setting, Innovation, Italian wine industry.

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Governance and Research & Development Studies, n. 1/2025
(ISSN 2704-8462-ISSNe 2723-9098, Doi: 10.3280/cgrds1-2025oa19199)

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La creazione di valore nei settori tradizionali: il ruolo delle practice innovative. L'evidenza empirica nell'industria italiana del vino

Sommario

In questo studio, analizziamo se le imprese possano creare valore in un contesto guidato dalla tradizione attraverso l'innovazione. Le ricerche precedenti hanno evidenziato che, in tali contesti, alcuni attori scelgono di reinterpretare creativamente prodotti consolidati (ad esempio, una canzone, un'opera, un'opera d'arte, un capo di moda, ecc.), mentre altri si affidano a un'interpretazione più tradizionale degli stessi prodotti. Tuttavia, finora è stato meno esplorato se la scelta di adottare un comportamento innovativo in un contesto dominato dalla tradizione conduca effettivamente alla creazione di valore. Per rispondere a questa domanda, abbiamo condotto una ricerca nell'industria vinicola italiana tra il 1999 e il 2009, analizzando se l'adozione di pratiche innovative (ad esempio, l'invecchiamento del vino in barrique) abbia portato alla creazione di valore e quali altri fattori abbiano influito su questa dinamica. I nostri risultati suggeriscono che l'innovazione favorisce la creazione di valore, ma che, in un contesto guidato dalla tradizione, l'ampiezza del portafoglio di un'azienda modera negativamente questa relazione.

Parole chiave: creazione di valore, contesto guidato dalla tradizione, innovazione, industria vinicola italiana

1. Introduction

Tradition-led settings have gained growing interest, in the last decades, from studies in different disciplines such as strategic management, organization theory, and sociology which provided a detailed examination of how revered traditions and cherished rituals have been preserved and maintained over time (Dacin and Dacin, 2008; Lok and deRond, 2013), meanwhile addressing those issues that have led to their disruption and those contingencies that engendered either the adoption of novel practices or their rejection (Cattani, Ferriani, and Lanza, 2017; Sasaki *et al*., 2019).

However, while these studies have explored a variety of issues that helped us understand whether and under what contingencies traditions either persist or fade away, they fall short of providing a useful conceptual lens to understand whether innovations in tradition-led settings create value and what intervene in this, often, contested and controversial phenomenon. In particular, while we concur that innovative practices can be carried out, too, in a setting characterized by the preeminence of a body of binding traditional practices and rituals, we argue that it should be investigated whether this effort leads

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to value creation; besides, we posit that it should be explored what other firm-level phenomena intervene in this relationship.

To fulfill this goal, we conducted research in the Italian wine industry between 1999 and 2009, a suitable setting for our research since winemaking dates back over two millennia and Italy is home to the largest vine and grape variety on Earth; thus, virtually every province in Italy has its cherished local wine whose origin often can be traced to the Medieval epoch.

Our study makes several contributions to studies on innovation, tradition, and value creation; first, we explore whether innovation in the context of a tradition-led setting leads to value creation, thus extending the scope of strategic, organizational, and sociological studies on tradition; besides, we investigate those phenomena that intervene in the relationship between innovation and value creation in tradition-led contexts, thus providing a fine-grained understanding of what firm-level issues affect this relationship; finally, by investigating value creation dynamics in a tradition-led setting, we open an interesting dialogue between value creation and tradition research areas.

This study is organized as follows; first, we offer the study's theoretical background along with its research hypotheses; then, we provide the methodological and results sections; subsequently, we discuss our main findings; finally, we give some theoretical and managerial implications.

2. Theory and Hypotheses

Drawing from seminal research (Shils, 1981; Soares, 1997), recent developments in tradition-inspired research have emphasized the inherent complexity that underpins innovative efforts in the context of a tradition-led setting (Cancellieri, Cattani, and Ferriani, 2023; Lanza and Simone, *forthcoming*) and observed that innovative stances in traditional settings are either stifled or rejected (Sasaki *et al.*, 2019), also assuming that tradition represents a malleable and dynamic body of competencies, principles, beliefs, and behaviors, rather than just a sticky set of prescriptions. Other scholars, subsequently, observed that the preservation of a given tradition often depends on custodians and other dedicated individuals, whose main goal is to maintain, adjust, and repair it thus allowing for change and evolution, and, ultimately guaranteeing its survival (Dacin, Dacin, and Kent, 2019).

Although these studies provided important insights, especially regarding change in the context of traditional settings, they fall short of providing an adequate understanding of whether change and innovation in these settings create value. We maintain that overlooking this issue represents a critical

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void since value creation represents one of the main tasks for organizations (Damodaran, 2012), and by neglecting this point they fail to provide important prescriptions for scholars and managers coping with change in a traditional context. Accordingly, we maintain that addressing this issue and exploring what other phenomena intervene in the relationship between innovation and value creation, represents a valuable contribution to both tradition-motivated research and value creation studies.

Pioneering research on innovation has put forth the inherent risk of undertaking explorative efforts that diverge from established trajectories (Abernathy and Utterback, 1985; March, 1991). Subsequent research has clarified that especially in those contexts characterized by the presence of critical stakeholders and social audiences, innovators must pay attention to the requests of these entities to gain their attention and support and to receive resources and acknowledgment (Hargadon and Douglas, 2001; Cattani *et al.*, 2008).

Also, innovators can face further obstacles when trying to offer novel ideas and products in a tradition-led setting, since their innovation can be hindered by other organizations whose goal is to defend tradition from modernism (Negro, Hannan, and Rao, 2011) and they may struggle to position their effort in the context of a business rooted in a family's multigenerational path (De Massis *et al.*, 2016; Sasaki *et al.*, 2019); besides, they may be at odds with customers' main expectations and perceptions and, thus, opt for retrenchment in more traditional niches (Cattani, Dunbar and Shapira, 2017); furthermore, in the presence of an established body of practices and revered principles, an innovator may be not provided with adequate knowledge of these practices and principles and, thus, his/her innovative efforts may be rejected regardless of its inherent value (Cattani, Ferriani, and Lanza, 2017); finally, novel formats and ideas may not receive a favorable reception from those audiences more accustomed with traditional offerings (Durand, Rao, and Monin, 2007; Cancellieri, Cattani, and Ferriani, 2023).

In sum, the extant research on innovation in the context of a tradition-led setting seems to suggest that often these endeavors are doomed to be either hindered or rejected, and, thus, to fail in the goal of creating value.

We argue, instead, that adopting an innovative stance in a traditional setting does not necessarily lead to a negative outcome, from a value creation perspective because, even in a tradition-led setting, it has been observed that products, services, formats, and rituals undergo frequent occasions of change that often lead to the evolution of the main offerings (Negro, Hannan, and Rao, 2011; Cancellieri, Cattani, and Ferriani, 2023); besides, it has been argued that market segments are not completely homogeneous and that some niches, within a given market, could favorably receive a novel product (Ertug

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et al., 2016; Cattani, Falchetti, and Ferriani, 2020); additionally, innovators may scout novel market spaces thanks to counterfactual strategy (Gaglio, 2004) for their offerings, through which achieving a better positioning in a less explored segment.

Therefore, we maintain that adopting a novel format and promoting an innovative offering in a tradition-led setting can create value since traditions should not be considered stiff repositories of rituals and principles. Rather, they can be conceived as a malleable body of competencies, relationships, beliefs, and behavior whose evolution depends also on the exploration of novelty.

In particular, we posit that novelty contributes to value creation, especially when it speaks to specific audiences and scouts novel market spaces. The conceptual motivation for this value creation process relies on innovation's positive effect on the existing products.

More precisely, we suggest that adopting an innovative stance will positively affect an organization's existing products since the favorable response characterizing such a novelty may reverberate to the entire organization. This can happen because the adoption of innovative practice (or technique) leads the whole organization's offering to enjoy a positive positioning reverberation, which, in turn, instigates an increase in the price of the entire product portfolio. Previous research on brand extension has investigated the positive connections between successful products and new offerings carrying the same brand name (halo effect – Beckwith and Lehmann, 1975; Keller and Lehmann, 2006). The positioning reverberation effect that we advance, instead, suggests a different type of connection, thanks to which, the adoption of a novel technique is capable of engendering a positive effect on existing products, thus, it is the opposite of the halo effect.

We surmise that positioning reverberation may happen, for example, because adopting a novel technique is highly appreciated by the industry's experts and gatekeepers whose positive evaluations may reflect on the whole product portfolio; also, adopting an innovation may signal a firm's commitment to investing in quality and, as a result, the entire organization and its offerings enjoy the positive consequences of this occurrence; furthermore, customers and dealers may be positively influenced by innovative conduct in the context of a traditional setting, thus rewarding this stance by acknowledging a better positioning to a firm that adopts such conduct. In sum, we posit that adopting an innovative technique in a traditional setting is likely to engender a positive positioning reverberation, thanks to which the whole portfolio of products benefits from a price increase, which we assume is a proxy of value creation. Accordingly, we hypothesize as follows

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Hp 1 The adoption of an innovative practice, in the context of a tradition-led setting, is positively associated with value creation.

So far, we have posited that innovative efforts and stances may lead to value creation even in a tradition-led setting, under specific circumstances. However, we surmise that other phenomena could intervene in the relationship between innovation and value creation at the organizational level. In particular, we maintain that a firm's breadth of product portfolio could affect the above relationship, for many reasons. First, we suggest that a firm that has developed over time a large portfolio of products in a tradition-led setting has achieved visibility and attention through the years, thus creating in a setting's main audiences a set of expectations as concerns its conduct and, consequently, its positioning; under such a contingency, adopting an innovative practice may represent an inconsistent behavior, which, in turn, may damage the value creation process (Hsu, 2006).

Also, a broad portfolio of products is likely to be associated with a multisegment marketing strategy, which, in turn, is associated with a multivalent identity (i.e., generalist), whereas, instead, innovators are often characterized by a focused (i.e., specialized) identity (Zuckerman *et al*., 2003); in this case, generalist organizations do not receive the same attention and support that, usually, specialists enjoy, and this may influence negatively value creation. Besides, in the presence of a large portfolio of products rooted in a cherished tradition, an innovative offering could confer an image of obsolescence to existing products, thus undermining the overall value creation dynamic, since obsolete products usually command decreasing prices. In sum, we posit that all these contingencies may negatively influence the relationship between novelty and value creation. Therefore, we hypothesize as follows

Hp 2 The breadth of a firm's product portfolio negatively moderates the relationship between the adoption of innovative practices and value creation.

3. Methods

3.1 Research setting

We conducted our study in the Italian wine industry, between 1999 and 2009. Winemaking in Italy dates back over two millennia and since it is home to the largest grape and vine variety in the world (Robinson, 1982; Fregoni, 2004; Bastianich and Lynch, 2005), virtually every province in Italy cherishes its autoctone vine and grape and enjoys and reveres its traditional local

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wine. As a result, winemaking in Italy is characterized by a locally embedded, long-lasting tradition that has crossed the centuries (Belfrage, 2009). Previous research on the Italian wine industry observed that the adoption of novel ideas and practices in such a context instigated conflict and uncertainty (Lanza, 2011; Negro, Hannan and Rao, 2011; Lanza and Simone, *forthcoming*), thus, we posit that it represents a most suitable context for examining whether and how organizational value creation is affected by novelty, and what other phenomena intervene in this dynamic.

3.2 Data

We collected data and information from a plurality of sources. Concerning the importance of tradition in Italian winemaking we draw information from Johnson (1989); Robinson (1982); Bastianich and Lynch (2005); Belfrage (2009); Antinori (2011); regarding the relevance of enological procedures and practices in Italy we rely on Fregoni (2005); Calò and Costacurta (2004). Besides, we collect data and information about wine characteristics, price, and portfolio breadth from *Le Guide di Veronelli,* between 1999 and 2009; founded by Luigi Veronelli, the father of contemporary Italian enology, it is unanimously considered the most accurate and authoritative guide on Italian wines (Negro, Hannan and Rao, 2011). We collected data in this specific time window because in 1998 the Italian parliament issued a major reform of the 1963 law that had introduced denominations (i.e., DOCG – *Denominazione di Origine Controllata e Garantita* / Controlled and Guaranteed Denomination of Origin; DOC – *Denominazione di Origine Controllata* / Controlled Denomination of Origin). The 1998 reform introduced a novel category, IGT (*Indicazione Geografica Tipica* / Typic Geographic Indication), that, differently from DOCG and DOC, allowed freedom of maneuvering as concerns grape blending and aging techniques and procedures. Before the introduction of IGT, those wines that blended autoctone and international grapes and adopted novel enological procedures could no longer affiliate with local DOCG or DOC and were forced to report the ambiguous Table Wine description on their labels, in fact, a non-denomination. Therefore, it seems appropriate to begin data collection from 1999, to appraise the impact of the novelty allowed by the reform on value creation dynamics.

Finally, to triangulate our information, we conducted interviews with vintners, dealers, and experts, in three different periods (2008-2011; 2015-2018; 2019-2023). These interviews buttressed the view that aging wine in barrique represented an innovative practice in the tradition-driven Italian wine industry and that on several occasions this practice instigated conflicts

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and disputes between and among heterogeneous actors (i.e., vintners, dealers, experts, critics, sommeliers, restaurant owners, and many others).

4. Measures

4.1 Dependent Variable

Value Creation. To measure value creation, we gauge the price increase of all labels comprehended in the firm's portfolio after the adoption of a novel practice (i.e., aging wine in *barrique*). Established literature has adopted a product's price as a fair measure of its value (see Damodaran, 2012 for a comprehensive examination); research in the wine industry has assumed price as a suitable proxy for a wine's value, too (Benjamin and Podolny, 1999; Roberts and Reagans, 2007). Therefore, an increase in a wine's price (and in a portfolio of wines) represents a fair proxy for value creation.

4.2 Independent Variable

Novelty. To assess novelty, we observed the adoption of a novel practice (i.e., aging wine in barrique) at the organizational level. A consolidated body of research considers the adoption of novel practices and techniques as a suitable measure of novelty (March, 1991; Hargadon and Douglas, 2001). In the context of tradition-led research, too, the adoption of new practices or ideas represents an adequate measure of novelty (Cancellieri, Cattani, and Ferriani, 2023).

4.3 Moderating variable

Breadth of product portfolio. To measure this variable, we count the number of existing labels comprehended in a firm's product portfolio, considering the available varieties of wine (i.e., red, white, rosé).

4.4 Control variables

Firm's Wine Rating. This variable captures the highest evaluation a company received in the Veronelli guide. Specifically, it was calculated using the

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ratings conferred to all wines considered by the Veronelli Guide for each firm and then taking the maximum score awarded to any firm.

Number of "Da Tavola" wines. This variable is calculated as the number of labels classified as "da Tavola", produced by each firm and reported in the Veronelli Guide; because the Veronelli Guide reviews only high-quality wines, the higher the number of "Da Tavola" labels reported and reviewed by this guide for a given firm, the higher its innovative attitude, given that otherwise these wines would carry either the DOCG or the DOC affiliation, if they could, but in fact they cannot, because they do not comply with the local *disciplinare*. Nonetheless, Veronelli Guide reviews these wines, as well.

DOCG wine ratio. This variable represents the "DOCG labels" to "all the number of labels" ratio calculated at the firm level and can be considered a proxy of traditionalism, since the higher this ratio the higher the respect for tradition at the firm level.

Number of IGT Labels in the district. This variable represents the total count of wines in a specific geographic area (i.e., province or district in our case) that have been affiliated with the local IGT and reflects the extent to which producers in that area have adopted the IGT category. We use this variable to account for a district's propensity to adopt a new category.

5. Model

This study explores the relationship between the adoption of innovative practices and value creation in a tradition-led setting, operationalized through firm-level pricing dynamics. Additionally, we examine the moderating role of a firm's product portfolio breadth in this relationship. More specifically, the research employs random-effects (RE) panel regression models. Random-effects (RE) option is employed based on the results of the Hausman test. In this study, the Hausman test fails to reject the null hypothesis, indicating no significant correlation between the individual effects and explanatory variables. Thus, the RE model is appropriate, as it allows us to capture both within-group and between-group variations while maintaining efficiency in estimation. The vce (robust) option is used to ensure the reliability of standard errors by accounting for potential heteroskedasticity and serial correlation in the panel data. Panel data often exhibit heteroskedasticity (i.e., non-constant variance of errors) or serial correlation (i.e., errors

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correlated over time within entities), which can invalidate standard inference. Robust standard errors mitigate these issues since they produce estimates of the variance-covariance matrix that remain consistent even when the assumptions of homoscedasticity or independence are violated.

6. Results

Table 1 and Table 2 report descriptive statistics and correlation analysis, respectively. The variance inflation factor (VIF) values for all variables across all samples are below 5, as suggested by prior guidelines (Neter, Wasserman, Kutner, 1983; Wooldridge, 2002). Additionally, the observed correlations align with the expected ones.

Table 1 – Descriptive Statistics

Variable	*Obs.*	*Mean*	*Std. Dev.*	*Min*	*Max*
Value Creation	5414	15.428	10.019	1.75	85
Novelty	5426	.788	.409	0	1
Breadth of product portfolio	5426	4.565	2.792	1	22
Number of Da tavola wines	5426	.249	.709	0	9
DOCG wine ratio	5426	.186	.289	0	1
Number of IGT Labels in the district	5426	53.688	83.92	0	301
Firm's Wine Rating	5426	1.828	1.087	0	4

Table 2 – Pairwise correlations

Variables	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
(1) Value Creation	1.000						
(2) Novelty	0.070*	1.000					
	(0.000)						
(3) Breadth of pro~o	0.080*	0.221*	1.000				
	(0.000)	(0.000)					
(4) Number of da t~s	0.040*	0.026	0.227*	1.000			
	(0.003)	(0.058)	(0.000)				
(5) DOCG wine ratio	0.244*	-0.063*	-0.059*	-0.080*	1.000		
	(0.000)	(0.000)	(0.000)	(0.000)			
(6) Number of IGT ~	0.256*	0.021	-0.206*	-0.087*	0.433*	1.000	
	(0.000)	(0.120)	(0.000)	(0.000)	(0.000)		
(7) Firm's Wine Rat~g	0.316*	0.108*	0.423*	0.119*	0.175*	0.046*	1.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

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Using random-effects panel regressions, we test our hypotheses and report the findings in Table 3. Model 1 (Table 3) shows the baseline effect of innovative practices, represented by the adoption of a novel technique (Novelty). Our results indicate a strong, positive relationship with the Value Creation (β = 2.068, t = 6.50), thus supporting the hypothesis that such an innovation fosters value creation across the firm's portfolio. In Model 2 (Table 3), we incorporate control variables to capture the effects of additional firm and market characteristics. The significant relation observed above persists in Model 2 (Table 3), further validating "Hypothesis 1". These results underscore how innovative conduct in a tradition-driven industry can trigger positive stakeholder evaluations, thus enhancing the firm's positioning.

Table 3 – Regression Analyses

	(Mod 1) *Value Creation*	*(Mod 2)* *Value Creation*	*(Mod 3)* *Value Creation*	*(Mod 4)* *Value Creation*
Novelty=1	2.068***	1.618***	2.762***	2.538***
	(6.50)	(5.39)	(4.13)	(4.00)
Number of da tavola wines		0.134		-0.0579
		(0.47)		(-0.20)
Firm's Wine Rating		1.524***		1.342***
		(11.96)		(9.89)
DOCG wine ratio		2.403**		2.421**
		(2.79)		(2.81)
Number of IGT Labels in the district		0.0354***		0.0367***
		(10.05)		(10.40)
Breadth of product portfolio			0.646***	0.493***
			(5.17)	(4.08)
Novelty=1 # Breadth of product portfolio			-0.257*	-0.275*
			(-2.03)	(-2.27)
Constant	13.62***	9.056***	11.24***	7.487***
	(41.19)	(28.55)	(18.48)	(13.83)
Observations	5414	5414	5414	5414

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Models 3 and 4 (Table 3) introduce the moderating effect of a firm's product portfolio breadth (Breadth of product portfolio) on the "innovation-value creation" relationship. The interaction term is negative and statistically significant in both models (β = -0.259, t = -2.05 in Model 3; β = -0.278, t = -2.28 in Model 4). This suggests that broader product portfolios mitigate the positive impact of adopting innovative practices on value creation (Hypothesis 2).

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These findings are consistent with our theoretical framework, which posits that firms with a wide portfolio may face challenges in aligning innovation with stakeholder expectations, for several reasons; first, firms with broader portfolios often create expectations rooted in tradition, and any deviations from these expectations through innovation may be perceived as inconsistent conduct potentially eroding stakeholders and gatekeepers' trust; second, a multi-segment strategy associated with broad portfolios may dilute the focused identity often attributed to successful innovators, reducing the potential for value creation; finally, introducing innovation in such settings may inadvertently signal obsolescence for traditional products, negatively impacting their perceived value.

7. Discussion

In this study, we have empirically observed that adopting innovative practice in a tradition-led setting creates value for the organization promoting this creative effort, but also that the breadth of the product portfolio negatively affects value creation. Our study contributes to tradition-motivated research, innovation studies, and value-creation inquiry in several ways. The first contribution regards the positive effect of novelty on value creation. Previous research in the context of tradition-inspired settings had empirically observed that novelty affects negatively the performance of social actors and organizations that diverge from the paths suggested by revered rituals and cherished beliefs (Sasaki *et al*., 2019; Cancellieri, Cattani, and Ferriani, 2023). Instead, we have empirically observed in the context of the Italian wine industry, that employing a novel and diverging practice (i.e., aging wine in barriques) positively affects value creation since tradition-led products cannot be considered solely as ossified bodies of revered practices, but also as malleable and dynamic repositories of know-how and competencies. Therefore, tradition-led industries should not be regarded as homogenous entities, rather they are complex settings populated by heterogeneous segments, niches, and stakeholders. As a result, if novelty is appropriately addressed toward favorable social audiences, novel practices will engender positive results in traditional settings, too. Also, the exploration of new market segments and niches in the context of a tradition-led setting may lead to positive results since it resembles a sort of counterfactual reasoning, given that the majority of producers in such a context are more inclined to exploit traditional formats, thus leaving unexplored and underexploited new market niches, thereby providing opportunities for value creation.

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Our novel conceptual explanation for this value creation dynamic is that the adoption of a novel practice engenders a positive positioning reverberation, thanks to which all the products that are enclosed in a winemaker's product portfolio enjoy an increase in their price. Previous research in brand management and brand extension labels this dynamic as the halo effect (Beckwith and Lehmann, 1975; Keller and Lehmann, 2006), that is, the positive response of customers to a company's brand extension strategy, thanks to which new products exploit the positive associations deriving from existing offerings' brand equity. The concept of positioning reverberation differs from the halo effect since the former deals with the positive influence of a novel practice on existing products, whereas instead, the halo effect concerns the positive effect of existing successful products on new products carrying the same brand name and identity. We suggest that the concept of positioning reverberation represents a valuable conceptual contribution to tradition studies, innovation research, and value creation examination, since, differently from the extant pieces of evidence, we empirically demonstrated the existence of an unintended consequence stemming from the adoption of an innovative stance, whose main result is price increase of a firm's existing offerings. In particular, by observing that in a tradition-led setting, adopting a novel practice rather than being a disqualifying conduct constitutes a suitable strategy for value creation, we argue that it can be conceived as a reflected reputation achieved by existing offerings that reverberates from the credit gained by novel offerings.

The second contribution of this study concerns the negative moderating effect of the product portfolio breadth. We maintain that under this contingency, several negative consequences may affect the value creation dynamic. First, the broader a firm's product portfolio, the higher the probability that it has created over time an established positioning and a clear set of expectations concerning a firm's competitive conduct; these occurrences (i.e., positioning and conduct) may be at odds with the adoption of an innovative stance by the same organization, since this may instigate ambiguity regarding the firm's overall strategy, which, in turn, is likely to negatively affect value creation processes. Also, a broad product portfolio, usually, confers to a focal organization a generalist identity, whereas, instead, innovators are often associated with a specialized identity (Swaminathan, 2001); this contrasting identity may instigate uncertainty in both specialized and lay audiences, thus undermining value creation dynamic. Another critical occurrence that intervenes in the relationship between innovation and value creation because of the presence of a broad product portfolio is that the existing offerings may suffer from a sort of inducted obsolescence due to the presence of innovative practice and know-how at the organizational level; this

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contingency may counter the positive reverberation that innovation had brought to existing products, thus stifling value creation. Finally, the available know-how associated with a broad product portfolio rooted in a tradition-led setting will be characterized by loyalty and acquiescence to cherished recipes and revered practices, whereas instead, the novel know-how characterizing an innovative stance will diverge from these recipes and practices, which, in turn, may instigate a conflict between existing and novel know-how. All in all, we suggest that the examination of the role of portfolio breadth in the relationship between innovation and value creation represents quite an interesting contribution concerning tradition-motivated research and at the same time provides a fresh conceptual insight for strategic management and organization studies.

Another interesting contribution of our research is represented by the dialogue our study has opened between tradition-motivated research and value-creation dynamics. We posit that our main findings provide a better understanding of value creation dynamics and may help open a fruitful dialogue between tradition-motivate research and those disciplines (for instance, strategic management, finance, and accounting) that, usually, adopt value creation as one of their main measures. We are confident that our study may suggest to scholars of these disciplines to consider tradition-related issues, measures, and contingencies as an interesting set of variables and boundary conditions, thereby introducing new and useful research questions.

Our research provides, also, some implications for future studies as well as for managerial practice; concerning the former, we suggest extending the investigation of our main contribution, positioning reverberation, to other research settings, both traditional and non-traditional, to corroborate the insights of our study and to scout what other organizational factors, beyond product portfolio, affect the value creation process; regarding the latter, we invite managers and entrepreneurs operating in tradition-led settings to pay attention to the importance of innovation and to exploit the positive consequences of novel practices on existing offerings' reputation and positioning.

Our study carries some limitations, too. For instance, we could not control for organizations' age and size; also, we had no access to firms' governance and managerial team characteristics; however, we are confident that this does not undermine the overall validity of our findings and that, instead, it constitutes a fruitful occasion for extending the scope of the research field of innovation in tradition-inspired settings.

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8. Conclusion

In this study, we have empirically observed that even in the context of a tradition-led setting novelty can create value for the entire organization, thanks to the positive reverberation that it exerts on the whole portfolio of existing products; but we have also shown that a broad portfolio of products negatively moderates the above relationship. We hope that our research will open a fruitful dialogue between tradition-inspired studies and value creation dynamics, especially concerning the role of organizational and governance variables in these dynamics.

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