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## Balancing Valued Tradition With Innovation

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### **Abstract**

*Successful companies frequently face the challenge of updating a beloved old product. Italian opera companies face this dilemma every season. Many of the best-loved operas in the repertoire are more than 100 years old. The most devoted operagoers will have seen multiple productions of the same work and have a very clear, and usually conservative, notion of what constitutes a proper production. However, making no changes would limit opera's contemporary cultural relevance. After interviewing 15 artistic directors of Italian opera houses and studying the ticket sales of 2,627 opera productions between 1989 and 2011, we found that the most successful opera houses strategically balance alterations to core and peripheral features of traditional operas across different customer segments. In so doing, they address the need for renewal while at the same time remaining sensitive to the heterogeneity of their audience. The findings offer several actionable insights for successfully navigating the innovation tradition tradeoff that companies across many industries must routinely face.*

Sooner or later, most successful companies face the challenge of updating a cherished old product. Make no changes, and you risk becoming irrelevant to new customers. Change too much, and you may alienate your most loyal customers.

But how do you strike the right balance between tradition and innovation, and leverage a historically strong brand with sensitivity to heterogeneous customer preferences? To explore this question, we conducted [a study](#) of Italian opera companies, which face this dilemma every season. Many of the best-loved operas in the repertoire are more than 150 years old, and the most devoted operagoers have a set notion of what constitutes a proper production. However, if opera companies hew to these usually conservative tastes, they will likely limit their cultural relevance, running the risk of “becoming museums of pre-twentieth century operas,” as one artistic director told us.

Our analysis of the ticket sales of 2,627 Italian opera productions between 1989 and 2011, and interviews with 15 artistic directors of opera houses, yielded some useful insights into how to manage the tension between tradition and innovation that can be applied by anyone with a beloved product they need to update.

### **Requiem for a New Coke**

When renewing a product with a rich legacy, the more iconic the product, the bigger the challenge. One classic example is the saga of New Coke, the Coca-Cola Company’s ill-fated attempt in 1985 to make its flagship beverage sweeter. It was a change that consumers in focus groups endorsed in blind taste tests but that the public hated when they feared it meant the end of classic Coke.

Opera companies too perpetually skirt disaster when they try to make a change. Consider two recent productions – of Puccini’s *Madame Butterfly* and Bizet’s *Carmen* – that were reinterpreted in novel ways but that audiences reacted to very differently. Audiences responded favorably to a *Madame Butterfly* that was relocated to contemporary East Asia. But they panned the new *Carmen*, which ended with the title character killing her estranged lover Don José instead of being killed by him as in the original opera.

To understand the striking differences in how these and other updated productions are received, we first assembled a database detailing the staging strategies of thousands of performances and then determined whether each production took a *robust* vs *radical* approach to reinterpreting the original. Robust interpretations modify the peripheral aspects of an opera (its visual staging) but preserve its central features (music and dramatic contents). In contrast, radical interpretations modify the very essence of traditional operas by manipulating the main (dramaturgical or musical) characteristics of the operas, in addition to their peripheral ones.

Our statistical analysis of actual attendance figures supported artistic directors’ beliefs that audiences accept superficial changes most easily but also revealed that some degree of change builds audience: By taking a robust interpretation approach, opera houses increased their attendance by almost 9% compared to interpretations that reproduce the tradition faithfully. But counter to directors’ feelings that radical interpretations invited audience dissent, we found that they had an even greater impact, increasing attendance by 14%.

So, were the artistic directors we talked to wrong in their assessment? Yes and no. When we re-run our analyses separately for season- and single-ticket holders an intriguing twist to these

findings became apparent. While the relationship between robust interpretation and season-ticket attendance is confirmed positive and remarkably strong, with a 21% increase in season-ticket holders' attendance, single-ticket holders don't actually like this strategy. In other words, the overall positive effect is powerfully driven by season-ticket holders, whose appreciation for robust interpretations more than compensates for the lack of it among single-ticket owners. The opposite holds true with radical interpretations: while season-ticket holders respond negatively to this strategy, as foreshadowed by our informants, single-ticket holders respond exceptionally well, increasing their attendance, on average, by 17.6%. Thus, it is single-ticket holders who drive the overall positive effect of radical interpretations.

Because of this heterogeneity in audience preferences, opera houses face a fundamental tradeoff: the best strategy for leveraging a cherished tradition with one customer segment may be unpopular with another one. For opera companies, the key business question becomes the relative importance of season ticket holders to their revenue model as opposed to attracting new customers, who may have, at least initially, different expectations and a more open attitude toward the treatment of traditional operatic material.

### **Who pays the piper**

Organizational leaders from many industries and sectors are routinely challenged to make design choices that revive a cherished past by connecting it to the present or future. Our study of opera houses yields four general recommendations for how to best leverage rich historical legacies and remain adaptive to innovation and change imperatives.

- 1. Use tradition as a resource for innovation through reinterpretation.** Some executives may be tempted to quickly dismiss the past in order to appeal to current tastes. Others, especially in companies with deep legacies, venerate past traditions without ever questioning them and, as a result, fail to respond to changing market conditions. In both of these situations, tradition is more a constraint than an enabling factor. But that does not have to be the case. Our findings suggest that managers should view tradition and innovation as co-constitutive rather than opposing and engage in *reinterpretative efforts* to unlock the value of this duality. Fiat's redesign of the classic Fiat 500 featuring a distinctive retro style was a modern reinterpretation of Dante Giacosa's 1957 legendary rear-engine model. Through the reinterpretation of the past, traditions can become a resource for innovation in the present that responds to shifting preferences of evolving markets.
- 2. Leverage the outer form in which your tradition is embodied.** The outer product form in which organizations embed their revered traditions can influence customer perceptions in several ways and can be used strategically as a renewal device. Murakami reinterpreted Louis Vuitton's iconic Speedy Handbag—first introduced in the late 1910s—by drawing cherry blossoms on it to infuse an aging product with the modern kawaii pop art style. Both robust and radical interpretation strategies challenge the form in which the tradition is embedded. Our findings suggest that through robust interpretation strategies managers can preserve the core identity features of a tradition and use novel product forms to moderately refresh it. In contrast, radical interpretations challenge the tradition more deeply by encapsulating new core elements into novel product forms. Reinterpreting traditional products through stylistic changes that update their form is a way to pursue innovation by *leveraging products' visual language* without denying their historical heritage.

- 3. Match the right interpretation strategy with the right audience.** Conventional wisdom may lead executives to believe that only moderate or incremental changes to products imbued with historical legacy (if any) would be accepted by the market without eliciting puzzlement or frustration. Instead, our study reveals that both robust and radical interpretations can be effective product strategies when they target the right audience. In the end, company leaders must think carefully about how deeply they are willing to challenge their legacy. This choice should be informed by an accurate understanding of how important core customers and new customer groups are to their strategic vision as these groups may vary significantly in their expertise and expectations. Our findings suggest that if the priority is to cultivate die-hard customers and strengthen their loyalty without stifling innovation and change, then preserving core features of the traditional offering while challenging peripheral ones may be the way to go. But if the acquisition of new customers becomes preeminent in the strategic agenda, then making more profound alterations to their offering may be more effective in the short run. *Flexibly matching the right interpretation strategy with the right audience* is a fundamental competence that can help savvy managers to address the need for renewal while remaining sensitive to the heterogeneity of their market.
- 4. Bridge different customer groups by balancing interpretation strategies.** If executives' goal is to bridge the divergent tastes of loyal and new customers, then they should consider balancing robust and radical interpretation strategies in their product positioning and communication choices. For example, they could develop loyalty-building programs including subscription packages with a higher number of robust interpretations to appeal to long-time customers, while strategically targeting new customers with radical interpretations. Furthermore, they may consider using different outlets to showcase and distribute robust vs radical interpretations of their offering to avoid alienating customers for either approach. This allows the organization to position itself and its offerings differently according to the divergent demands of heterogenous audiences. Thus, customers will identify the organization with one or the other interpretative approach, even when different strategies are adopted to reinterpret tradition. Instead of mixing robust or radical interpretations together in their promotional and communication materials, organizations could strategically alternate robust and radical interpretations to draw the attention of different audience segments to the approach they are most responsive to.

Managing the innovation-tradition tradeoff is a crucial challenge for businesses carrying the weight of revered historical legacies. Once executives understand that tradition is not merely a constraint but a resource that can be skilfully managed in reinterpreting the past to suit the needs of the present, they can confidently navigate this trade-off, make the necessary changes in strategic focus, and tailor the right interpretation strategy to the right audience.