



Digital transformation and customer value creation in Made in Italy SMEs: A dynamic capabilities perspective

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ABSTRACT

This study examines the impact of digital transformation on customer value creation in the context of small and medium-sized firms (SMEs) operating in the Made in Italy sectors, with the aim of understanding how dynamic capabilities, as enabling mechanisms, may foster digital transformation. We use multi-case study research on the digital transformation of six Made in Italy SMEs, belonging to the food, fashion, and furniture design industries. The results show that, for the selected SMEs, digital instruments contribute to innovation of their business model, creating new distribution channels and new ways to create and deliver value to customer segments. The results highlight the relevance of sensing and learning capabilities as triggers of digital transformation. In addition to the theoretical contribution to the existing literature on digital transformation and organizational capability, this study provides some managerial implications for digital transformation in SMEs operating in the Made in Italy sectors.

1. Introduction

In recent years, digital transformation has revolutionized the way companies conduct business, create relationships with consumers, suppliers, and other stakeholders (Bresciani, Ferraris, & Del Giudice, 2018; Scuotto, Arrigo, Candelo, & Nicotra, 2019), and foster business model innovation and customer value creation. Digital transformation is the way in which “a firm employs digital technologies, to develop a new digital business model that helps to create and appropriate more value for the firm” (Verhoef et al., 2019, p.1). Such transformation affects business processes, operational routines, and organizational capabilities (Li, Su, Zhang, & Mao, 2018).

Digitalization is shaping the traditional interaction between consumers and businesses (Taiminen & Karjaluo, 2015). In particular, consumers have access to dozens of media channels through which to communicate actively and effortlessly with firms and other consumers, passing through a rapidly increasing number of touchpoints on their customer journey (Verhoef et al., 2019).

Extant literature has traditionally explored the implementation of digital technologies in large corporations (Cenamor, Parida, & Wincent, 2019) or, in innovative businesses, digital startups, and high-tech giants

(Ghezzi & Cavallo, 2020), while specific studies focusing on SMEs operating in traditional industries are relatively scarce. Nevertheless, these firms are recognized as innovative and contribute to economic growth in many countries. Scuotto, Santoro, Bresciani, and Del Giudice (2017) analyzed the role of ICTs oriented to intra-organizational (in-house research and development) and inter-organizational (open innovation) processes in promoting SMEs' innovation performances. Mohd Salleh, Rohde, and Green (2017) focused on the role of Information Systems. Jin and Hurd (2018) and Li et al. (2018), using a case study methodology, investigated how digital platforms impact SME entry into the Chinese market. Grandón, Nasco and Mykytyn Jr (2011) analyzed the adoption of e-commerce by SMEs. However, to the best of our knowledge, understanding how SMEs, operating in traditional industries, utilize digitalization to shape the process of customer value creation requires more in-depth investigation.

Regarding the adoption process, the construction of capabilities useful for value creation in the digital context has received limited attention by academics, despite dynamic capabilities framework being one of the most important topics in the strategic management domain (Li et al., 2018; Warner & Wäger, 2019). Capabilities have been found to help firms deal with environmental change (Teece, 2007). This

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literature gap is especially present in the context of SMEs. Literature has found that SMEs face increased difficulty in adopting new technologies due to lacking necessary resources, skills, commitment, and proper understanding of digital opportunities (Giotopoulos, Kontolaimou, Korra, & Tsakanikas, 2017). Overcoming these difficulties will require SMEs to build various capabilities. In SMEs, some capabilities (e.g., sensing, searching, and selecting the right source of digital knowledge) reside either in the entrepreneur or in the executive team. The ability to perceive new digital opportunities, to change customers' interactions, and co-create value with them imply changes in existing routines or resource configurations as well as building new capabilities. Filling these gaps is important, because digital technologies are important competitive tools for SMEs, and neglecting them is risky and may seriously compromise firm survival. Digital technologies provide support for value creation and customer engagement, which are critical success factors for SMEs. However, the use of technologies is not without difficulties and requires a change management and vision that have foundations in acquisition of new organizational and marketing capabilities.

Hence, to fill the literature gap, we ask: *How does digital transformation change the costumer value creation process of SMEs? What are the most important dynamic capabilities for digital transformation in SMEs?*

To answer these research questions, we present a multiple case research study on the digital transformation of six Made in Italy SMEs, operating in three B2C industries, called the 3Fs: Fashion (e.g., textile/clothing, footwear, leather goods, eyewear, jewelry), Food (e.g., pasta, pizza, olive oil, wine, beer), and Furniture (e.g., lighting articles, ceramic tiles, home faucets). The choice of "Made in Italy" comes from the famous connotation of beauty, chic, and genuine products of this umbrella brand, appreciated at the international level (Cerrato & Piva, 2012; Fallan & Lees-Maffei, 2014) and connected to the presence of tradition and manual skills. Made in Italy represents a universally recognized standard of excellence (Massa & Testa, 2012), which has gradually assumed a more important meaning than a simple label of origin (Fortis, 2005). Moreover, as this study focuses on digitalization enhancing the creation of experience and consumer value, Made in Italy products are acquired often beyond utilitarian motivation, for hedonic motivation and to gain emotionally enjoyable experiences (Penco, Servavalle, Profumo, & Viassone, 2020). Lastly, SMEs are common in the Made in Italy industry, characterized by the strong leadership style of entrepreneurs and founders, often a family, that shapes their approach to innovation and the market (Broccardo, Giacosa, & Ferraris, 2015; Bresciani, Culasso, Giacosa, & Broccardo, 2016; Vrontis, Bresciani, & Giacosa, 2016; Bresciani, 2017; Santoro, Vrontis, & Pastore, 2017; Franceschelli, Santoro, & Candelo, 2018).

This study makes several important contributions to the existing literature. First, focusing on the scope of digital transformation in the customer value creation process, we contribute to the digital transformation literature for SMEs and provide a rich context for the study of the application of digital instruments for customer value creation. Second, we contribute to the organizational capability literature, identifying the types of digitally based dynamic capabilities required for the digital transformation of SMEs. In addition to the theoretical implications, this study provides some managerial implications to accomplish the digital transformation of Made in Italy SMEs.

The remainder of this paper is organized as follows. Section 2 provides the theoretical framework to conduct explorative research by addressing the extant literature on digitalization and organizational capabilities of SMEs. Section 3 explains the research design and methods. Section 4 describes the major empirical findings of the analysis and presents the principal outcomes. Finally, Section 5 discusses the academic and practical implications, and Section 6 presents the concluding remarks.

2. Literature review

2.1. Digital transformation and SMEs

Digitalization is the exploitation of digital opportunities, while digital transformation is defined as the process that is used to restructure economies, institutions, and society at the system level (Rachinger, Rauter, Müller, Vorraber, & Schirgi, 2018).

In the context of the company, digital transformation has received increasing attention over the last two decades (Cha, Hwang, & Gregor, 2015; Morakanyane, Grace, & O'Reilly, 2017; Rachinger et al., 2018; Galindo-Martín, Castaño-Martínez, & Méndez-Picazo, 2019; Warner & Wäger, 2019). Analyzing the evolution of digital technologies for firm strategies, innovation, and business models, companies were mostly involved in the application of internal management information systems such as Enterprise Resource Planning or Customer Relationship Management (Boersma & Kingma, 2005). In this vein, digital transformation was limited to the application of information systems aimed at improving business processes within organizational boundaries to gain efficiency, cost savings, and business process optimization (Besson & Rowe, 2012).

In recent years, new digital technologies, such as big data, artificial intelligence, and 4.0 machines are revolutionizing the way companies do business (Rothberg & Erickson, 2017). However, these digital technologies enhance operational efficiency by optimizing process management and enhance market orientation through advanced market knowledge (Cenamor et al., 2019). Companies are focused on the application of cross-boundary digital technologies (Li et al., 2018), aimed at transforming the way organizations create value and the way organizations and consumers interact and exchange value (Yadav & Pavlou, 2014). Specifically, digital technologies improve communication with customers (existing and potential) enabling better understanding of requirements and facilitating customized offerings and new products tailored to specific customer needs (Barnes et al., 2012).

The literature has found that digitalization modifies the entire structure of business models (BM) (Osterwalder & Pigneur, 2010; Saebi, Lien, & Foss, 2017; Volberda, Mihalache, Fey, & Lewin, 2017), specifically value proposition and customer relationships (Arnold, Kiel, & Voigt, 2016; Bouwman, Heikkilä, Heikkilä, Leopold, & Haaker, 2018). The "mobile revolution," with the increasing power of social media and analytics, has promoted digital transformation of the customer value creation (Rachinger et al., 2018). New apps, services, platforms, data, and devices "have become a crowded play-ground for all kinds of companies that want to tap emerging chances" (Zott & Amit, 2017, p. 19). From this perspective, scholarly attention has delved into the diffusion of digital technologies that are focused on value propositions and customer relationships. Digitalization and specific technologies are innovating in particular SMEs, operating in high-tech and digital industries as well as traditional ones (Franceschelli et al., 2018; Ferraris, Monge, & Mueller, 2018; Warner & Wäger, 2019; Ghezzi & Cavallo, 2020).

The diffusion of platforms, such as Alibaba, Amazon.com, and eBay.com, has modified the process of value delivery (the "place") and the relationship with customers of SMEs (Li et al., 2018; Ramaswamy & Ozcan, 2018; Perren & Kozinets, 2018). Social media, with the increasing relevance of mobile devices, have radically created new ways of interacting (Taiminen & Karjaluoto, 2015) and are considered by SMEs as the most important means of communication and value creation within the business model. Social media enhances and transforms customer value propositions and organizes innovative delivery operations (Berman, 2012; Swani, Milne, & Brown, 2013). Augmented reality (AR) transforms how individuals interact with physical environments (Poushneh & Vasquez-Parraga, 2017). AR allows customers to test products many times before purchase (Owyang, 2010) and to interact with the brand and other users. Hence, mobile AR facilitates customer involvement, improving the hedonic value of experience (Kim &

Forsythe, 2008) and providing users the ability to share experiences through social networks (Muzellec & O'Raghallaigh, 2018). SMEs can exploit many opportunities of AR to simulate how products appear if customers purchase them (Chandra & Kumar, 2018). Digital transformation can enhance the creation of international markets, which is an important challenge for SMEs (Ferraris, Giachino, Ciampi, & Couturier, 2019; Santoro, Ferraris, & Winteler, 2019; Jafari-Sadeghi, 2020).

Big Data changes the value creation process, affecting the marketing mix: product (e.g., product-service innovation using Big Data without waiting for insights from traditional marketing research); price (e.g., dynamic pricing based on changing consumer demand); place (e.g., Amazon's anticipatory shipping); promotion (e.g., use of geospatial data to send specific advertising messages) (Erevelles, Fukawa, & Swayne, 2016; Yadav & Pavlou, 2014). Consumer analytics based on Big Data are considered one of the most important tools for the competitiveness of SMEs (O'Connor & Kelly, 2017). Nevertheless, research focused on digital transformation in SMEs (as a whole phenomenon) and how digitalization may change the entire process of consumer value creation are still limited.

2.2. Digital transformation and customer value creation

Nowadays, the web provides space for creating and sharing knowledge that can be accessed easily by new marketing channels through smartphones and tablets, paving the way for value co-creation through customer engagement processes (Brodie, 2011; Jaakkola & Alexander, 2014).

Such rapid growth and success of the sharing economy is due to the digital platform business model (Parker, Van Alstyne, & Choudary, 2016), including the company website, virtual communities, blogs, vlogs, social media, mobile apps, and other technologies (Rowley, 2008; Gensler, Völckner, Liu-Thompkins, & Wiertz, 2013; Breidbach, Brodie, & Hollebeek, 2014). Among the most common digital marketing channels, social media such as LinkedIn, Facebook, and YouTube, as well as blogs like WordPress and Blogger, and micro-blog platforms including Twitter and Snapchat provide cost-efficient means to reach a large audience and diffuse product and brand information online. Social media shares content among an interconnected group of users, most commonly in the form of text, photo, and/or video, using two-way communication or eliciting user-generated content to create word-of-mouth effects.

Another important digital marketing channel is the branded-mobile applications that have proven particularly well suited for creating, communicating, and delivering value. The main purpose of mobile applications is to develop consumer connections and attachment to brands through information, promotion, and entertainment. Common features are the development of trust, the ability to rate the quality of a product or service and user experience, and the ability to pay quickly and easily for the product or service within the mobile app.

These digital technologies allow firms to create an online customer experiences conceptualized through four dimensions (Bleier, Harmeling, & Palmatier, 2019):

- (1) Informativeness (cognitive) captures, in an objective manner, the functional aspect and value of the customer's experience (Verhoef et al., 2009).
- (2) Entertainment (affective) is the immediate pleasure that the experience offers, regardless of its ability to facilitate a specific shopping task (Babin, Darden, & Griffin, 1994).
- (3) Social presence (social) refers to the warmth, sociability, and feeling of human contact that a webpage confers (Gefen & Straub, 2003).
- (4) Sensory appeal (sensory) includes aspects that stimulate sight, sound, smell, taste, or touch (Gentile, Spiller, & Noci, 2007).

In a digitalized world, experiences are co-created by customers

having a more active role (Prahalad & Ramaswamy, 2004), contributing through their joint interactions in the production of several contents (Key, 2017).

Social media and mobile applications have brought revolutionary ways of implementing corporate brand communication strategies, encouraging interaction, participation, and cooperation (Lamberton & Rose, 2012). They stimulate continuous dialogue with customers, influence brand meanings and messages, and dictate product or service developments. Social media involves users generating content and connecting with people through a many-to-many approach, rather than the traditional "one-to-many," which allows customers to create and be active participants in the process. The interactive nature of these digital media allows sellers to share and exchange information with customers and allows customers to share and exchange information with each other. Some authors (Sawhney, Verona, & Prandelli, 2005) have already shown the multitude of innovative real-time technologies that are central to developing a dialogue with customers throughout the customer journey and influencing one's overall brand preference (Baxendale, Emma, & Hugh, 2015; Lemon & Verhoef, 2016).

In the pre-acquisition stage of "awareness, consideration, and search," firms have the opportunity to identify, engage, and interact with current and prospective customers that notice and assess a brand. At this stage, firms can utilize social media, encompassing social networking, blogging, influencers engagement, paid advertisements, and video and photo virality (Cawsey & Rowley, 2016) as well as augmented reality and conversational commerce (mobile instant messaging) to support customers in the search process. The aim is to help customers find specific solutions, products, and brands, or connect to prospective customers before needs arise, suggesting possible products or developing new solutions to meet needs. It is important for firms to create experiential value for consumers, increasing interaction and heightening willingness to purchase a specific brand. Digital technologies can create brand stories and allow consumers to interact with the brand in novel, unconventional spaces, such as sensory experiences, gaming platforms, or mobile applications (Scholz & Smith, 2016), thereby generating a greater level of consumer entertainment. Once successfully used, these platforms build increased brand exposure and consumer traffic by promoting the brand and developing potential leads (Xie & Lee, 2015). At this stage, the cognitive (informativeness) and affective (entertainment) dimensions of customer experience are predominant.

At the following stages of purchase and post-purchase, firms must move from attraction and interest stimulation to development of long-term relationships with customers with highly positive emotions. Digital tools can increase customer satisfaction along the entire purchase process, which is a prerequisite for customer engagement. Chat bots can play an important role at the purchase stage by stimulating conversations, answering consumer queries, process product orders, and providing suggestions and recommendations through the utilization of artificial intelligence. At this stage of the customer's journey, the affective component is relevant, because highly positive emotions are connected to satisfaction, retention, and customer commitment. At the last stage of post-purchase, the positive feelings lead to brand advocacy (interaction with others in social networks to spread the word about positive experiences with a product, brand or company) and engagement (inclusion of customers in the value co-creation). At this stage, the social dimension is predominant (Mariani & Matarazzo, 2020), enhancing satisfaction of customer needs, since they become fans in interactions with other current or potential customers.

2.3. Building dynamic capabilities for customer value creation

Dynamic capabilities are "higher-level competences that determine the firm's ability to integrate, build and reconfigure internal and external resources/competences to address, and possibly shape, rapidly changing business environments" (Teece, 2012, p. 1395) and are usually

used to explain how firms respond to rapid and technological change (Eisenhardt & Martin, 2000; Teece, 2007). These types of capabilities may play an important role in the process of a company's digital transformation. Teece, Pisano, and Shuen (1997) identified a dynamic capability as the firm's ability to address rapidly changing situations, and consequently, the use (and usefulness) of dynamic capabilities is greater in vibrant environments, such as those influenced by digital technologies. Digital transformation is shaping profound changes in society, industries, and firms, with implications for different aspects of organizations: technology management, strategy, business models, processes, and corporate value creation.

Dynamic capabilities ensure that a firm's ordinary capabilities change over time (Rindova & Kotha, 2001). Ordinary capabilities enable the firm to perform operational tasks such as accounting, human resources management, logistics, and marketing, but they are easily replicable in a digital environment and no longer support a durable competitive advantage. In contrast, dynamic capabilities, managing the change in a firm's ordinary capabilities (Teece, 2007), are harder to replicate (Teece, 2014) and support the evolution of a company toward pathways far from its "comfort zone" (Helfat & Winter, 2011). In a changing environment, the role of such capabilities is to reconfigure ordinary capabilities to fit new challenges and deploy new capabilities.

Following Pavlou and El Sawy (2011), who combined Teece et al. (1997) and Teece (2007) conceptualizations, the dynamic capabilities useful in the reconfiguration process may be divided into four clusters of activities:

- (1) *Sensing*: identify, develop, co-develop, and assess digitalization trends and technological opportunities in relation to customer needs. The ability to spot, interpret, and pursue digital technologies (infrastructure, content, channels, services, e-business application, etc.) can create customer value. Digital technologies improve the gathering of relevant marketing intelligence information, which is a crucial action of the sensing capability. By sensing and analyzing the new context of the customer, this capability enables enterprises to gain deep insight into customer motivations and to create personalized customer value (Goerzig & Bauernhansl, 2018).
- (2) *Learning*: renovation of existing capabilities with new knowledge. Once an opportunity is identified, an organization must redeploy and redirect resources and mobilize novel ones through learning activities devoted to finding new solutions and creating new knowledge. For example, a whole range of new capabilities is needed to help the company face the challenges of digitalization, and the learning process is useful for addressing customer needs and opportunities emerging from digital transformation to capture value. Warner and Wäger (2019) reported that digitalization has encouraged smaller firms to seize opportunities by experimenting with the decoupling and disintermediation of existing value chains.
- (3) *Integrating*: integration of new knowledge "into a collective system to deploy the new configurations of operational capabilities" (Pavlou & El Sawy, 2011, p. 245). As the redeployed and new knowledge is mostly owned by individuals and capabilities reside at a collective level, such knowledge must be disseminated within the business unit.
- (4) *Coordinating*: asset "orchestration;" the ability to organize and deploy tasks, resources, and activities into new ordinary capabilities. Structures, practices, and processes are included in reconfiguring capabilities. Such transforming capabilities are essential to realize the full potential of strategic change (Teece & Linden, 2017). In our view, leadership promotes commitment, and new ways of allocating resources belong to the firm's coordinating capabilities.

Each organization has its own way to integrate the four dimensions

and make dynamic capabilities unique, valuable, and recognizable for the customers.

Managerial decisions determine how the firm "creates, shapes and deploys capabilities" (Teece, Peteraf, & Leih, 2016, p. 19). Dynamic capabilities require the organization (especially top management) to develop ideas, validate them, and realign assets and competences for new requirements. Therefore, sensing, learning, integrating, and coordinating are the result of a process within a leadership executive team (Kor & Mesko, 2013; Martin, 2011), particularly in the case of SMEs, where the role of the owners, often a family, is essential.

Especially in SMEs, the CEO is a key person in the decision-making process regarding dynamic capabilities (Goerzig & Bauernhansl, 2018). Garbellano and Da Veiga (2019) confirmed that, in SMEs, the dynamic capabilities useful in industry 4.0 "reside" in people, especially in who has the responsibility to "orchestrate" (Teece, 2014), combine, and organize resources to create value. Some capabilities (e.g., sensing, searching, and selecting the right source of digital knowledge) either reside solely with the entrepreneur or is shared among closest collaborators; others (e.g., integrating and orchestrating internal and external assets, physical and digital resources) reside with the executive team; and still others are spread granularly among many people.

In SMEs, "entrepreneurs invested in new digital technologies more based on their intuition than on detailed cost-benefit analysis" (Garbellano & Da Veiga, 2019, p. 476). The decision to introduce new technologies may be influenced by the youngest collaborators or by family members, often sons and daughters of the entrepreneur who "used" digital technologies to be involved in the company's family and to reinvigorate sluggish business.

Therefore, a diversified team of managers, with complementary knowledge and skills, is necessary to succeed in sensing opportunities, learning and coordinating organizational resources, capabilities and processes, and facilitating digital transformation. Such a transforming process requires a range of new capabilities with regard to the workforce to stem the challenges of digitalization in SMEs (Hubschmid-Vierheilig, Rohrer, & Mitsakis, 2019).

3. Methods

3.1. Procedure

The empirical data for this study were collected by applying a multiple case study approach (Eisenhardt, 1989; Yin, 1994; Cunningham, 1997; Eisenhardt & Graebner, 2007). The decision to adopt this methodology is derived from two motivations: the research scope (digital transformation, value creation, and the capability perspective) and firm type (SMEs). Regarding research scope, the case study methodology is consistent with research questions based on "how" and "why." Qualitative research is appropriate when the emphasis is on the development of a conceptual framework and the identification of critical factors and other key variables. Regarding firm type, since SMEs tend not to disclose strategic and organizational information, direct contact is essential to understanding these profiles. Moreover, multiple cases enable a more generalizable and robust theory than a single case (Del Giudice et al., 2017; Dezi, Santoro, Gabteni, & Pellicelli, 2018; Eisenhardt & Graebner, 2007). The research has been conducted according to the guidelines and suggestions for qualitative methodologies provided by the literature (Yin, 2003).

We conducted several in-depth and semi-structured interviews based on face-to-face meetings using a semi-structured questionnaire, which allows for comparisons across the selected companies, as suggested by Massingham (2004). We interviewed entrepreneurs and managers responsible for corporate and business strategies and digitalization. Marketing profiles (e.g. distribution channels, promotion, consumer interactions, and consumer value) were explained by the entrepreneurs (sometimes with the help of the marketing manager), since in SMEs these aspects are intimately connected to the entrepreneurial vision and

the strategic orientation.

The questionnaire was aimed at evaluating the digital transformation in terms of: (1) transformation of the relationship with the customer within the business model (Teece & Linden, 2017; Zott & Amit, 2017); (2) digital tools and distribution channels for customer value creation within the consumer journey (Sashi, 2012); (3) leadership and major triggers of digital transformation (Teece, 2007); and (4) main resources (Teece, 2012) and main capabilities (Sensing, Learning, Integrating, and Coordinating).

First (1), we asked if the digital transformation affected the business model transformation, with particular regard to marketing channels and social media marketing, modifying the consumer segments and the value proposition (e.g., from B2B to B2C). Second (2), consistent with Sashi (2012) and Lemon and Verhoef (2016), we described the different stages of the consumer journey (pre-purchase, purchase, and post-purchase phases) to identify if and how digital transformation helps enhance customer value in each stage. Regarding leadership and major triggers of digital transformation (3), interviewees were invited to identify the external factors that stimulated the process of digital transformation and the most relevant elements of the structure. Regarding dynamic capabilities (4), the questionnaire collected information on who guided the digital transformation process and perceptions of utility of ordinary resources and capabilities, together with the different dynamic capabilities (sensing, learning, integrating and coordinating). As entrepreneurs and managers may not be familiar with the dynamic capabilities framework, an explanation of capabilities was added.

Each interview lasted nearly two hours and was conducted by at least two authors to guarantee comparison between researchers. A semi-structured interview guide was used. Interviewers encouraged managers to free reporting, and there was no forced answer if the informants had no recollection. To avoid confining respondents to a set of pre-established answers, we introduced general and open questions to encourage interviewees to share information, and then we continued with more specific questions to fine-tune the discussion into the areas of relevance of the study. There were difficulties to confine the discussion within the questionnaire structure and explain the concept of dynamic capabilities.

All answers were audio-recorded, transcribed, and translated from Italian to English. They were independently analyzed by each author and discussed together to reduce subjectivity in interpretation of the data. When necessary, we conducted follow-up correspondence with the respondents via e-mail and telephone to clarify some points.

Interviews' content was analyzed by performing an open coding practice, a method suitable to study complex phenomena through the coding of labels, concepts, and words used to produce theory from interviews, rather than the mere finding of facts (Ghezzi & Cavallo, 2020). Interviews were codified through textual analysis and archived using the software package NVivo 12 to "make sense" of the data and develop a complete understanding of the cases.

In addition to primary data from interviews, secondary data from documents, such as business publications, corporate presentations, internet-based information, and newspapers, were gathered. We triangulated these data with the primary data, analyzing the results and coherence and reinforcing the knowledge of each company. The data were analyzed following the protocols for qualitative data analysis. The analysis was carried out using an interpretative method (Eisenhardt & Graebner, 2007). The main research was conducted in 2019. Given the longitudinal approach, however, we collected primary and secondary information from the previous ten years (2009–2018).

3.2. Cases' selection and company profiles

In line with exploratory research, the cases were selected not because they are a representative sample in statistical terms, rather they were considered able to provide significant insights concerning the

relationship between digitalization and customer value creation, with a focus on capabilities. We begin our data analyses with abundant descriptions of the six Italian cases belonging to the Made in Italy sectors (two for each "F" of Made in Italy). All the analyzed cases are family businesses, with entrepreneurs in the leading role. Table 1 summarizes the research cases in terms of the profile of the companies, strategies, channels, and digital tools.

Fratelli Carli is focused on olive oil and Mediterranean specialties, such as preserves in oil and sauces. Founded in 1911 its strategy is characterized by segmenting the market using the distribution channel, exclusively home delivery. The company seeks a differentiation advantage in terms of product quality and customer service. Investments in CRM and digital marketing tools have led to a better brand position. Over the years, Fratelli Carli has diversified its portfolio by adding a line of cosmetics (Mediterranea) to the traditional oil and food specialties. This diversification strategy has been driven by synergies in sharing channels, logistics systems, and customer databases.

De Matteis Agroalimentare is a producer of durum wheat pasta, founded in 1993 by two entrepreneurial families that were in the construction business for more than 50 years. Initially, it was a mill and small pasta factory, but with a significant growth rate, it became a world player in the pasta industry, appreciated by international customers. De Matteis is one of the few pasta companies in Italy with its own mill and an integrated wheat-pasta production chain. It has a control laboratory inside the mill to select the best wheat and ensure that it meets strict standards of product quality. The premium brand of the company, "pasta Armando," is made of 100% Italian durum wheat from the "Armando" production chain, based on an agreement with more than 1500 farmers and 16,000 cultivated hectares. By signing the agreement, the producer, farmers, and agronomists are committed to producing Italian high-quality raw material, sealing an authentic tie existing between land, wheat, and pasta.

Freddy, established 1976 by Carlo Freddi, focuses on dance and fitness apparel. Freddy's strength is its uniqueness or its philosophy: "The Art of Movement." Its strategy is characterized by creativity and product innovation, and in 2013, Freddy launched the WR.UP® pants designed to sculpt the female body by redefining the thighs and backside. In recent years, other products have been designed using technology and have been patented by Freddy. The new 100% Made in Italy capsule collection, entirely conceived, designed, and manufactured in Italy, was launched in 2017.

Essequadro is an Italian producer of handmade eyewear with 50 years of experience, craftsmanship, and creativity. Every piece of eyewear is made using only Italian raw material and made of an Italian alloy of medical steel. "It is the only firm in the center-south of Italy that is totally vertically integrated being out of the Safilo and Luxottica system, the biggest Italian players in the eyewear industry." The entire production cycle, encompassing 72 phases, 120 h of tumbling, and about 40 days of work, is internal and constructed in its factories, without external supplies. Other key activities of the value chain include R&D, design, prototyping, colors selection, production proof, and web marketing. In 2015, the firm received an award from the Institute for the Protection of Italian Manufacturers, recognizing the quality of craftsmanship of Essequadro with a special certificate.

B.Home Interiors (GioBagnara) was established in the late 1990s. The founder, Giorgio Bagnara, noted that leather from the fashion industry was not considered as a material for home accessories, and they started using it in the design and furniture industry. The company became renowned for its expertise and Italian craftsmanship, and its founder became a partner of several interior decorators and yacht and jet designers. In 2015, GioBagnara expanded its leather portfolio with the acquisition of the saddle leather specialist Rabitti 1969. Giorgio Bagnara entrusted Stéphane Parmentier (who began his career working for Karl Lagerfeld before deciding to devote himself to architecture in 2002) with the creative direction of the company. He has designed numerous stunning creations for the brand, increasing the reputation of

Table 1
Profiles of selected companies.

Company	Profiles/Strategic Business Units	Year of foundation and location	Size: Revenues and Employees	% Foreign sale	Number of international markets	Strategic paths	Position of the respondent
Fratelli Carli S.p.A.	Food: Olive Oil / Mediterranean food specialties Cosmetics	1911 Imperia	155 million euros 150 employees	30%	EU (Germany, France, Switzerland), UK, US	Focus on a market niche: home delivery/e-commerce High differentiation: brand image Diversification (cosmetics: Mediterranean) Internationalization (FDI and export)	Family Entrepreneur Responsible for Cosmetics Division
De Matteis Agroalimentare S.p.A.	Food: Pasta	1993 Flumeri (Avellino)	155 million euros 270 employees	80%	More than 40 countries, mainly in EU and US	Focus on a market niche: tasty and genuine pasta made of 100% high quality Italian wheat High differentiation: brand image embodying the Italian genuine pasta Contractual vertical integration with farmers and agronomists Internationalization (partnerships with large retailers and export)	Family Entrepreneur CEO and General Director
Freddy S.p.A	Fashion: Dance and Fitness	1976 Chiavari (Genova) and Milan	45 million euros 130 employees	95%	EU (Germany), US, UK, China, Australia	Focus on a market niche: apparel for dance and fitness Product innovation: patents (shaping pants) High differentiation: brand image and new Made in Italy line Contractual vertical integration with suppliers Internationalization (FDI and export)	Member of the Board of Directors CFO
Essequadro S.r.l.	Fashion: Eyewear	2011 Ariano Irpino (Avellino)	3 million euros 36 employees	30%	EU (all), UK, US, Cuba, Israel Turkey Tunisia	Focus on a market niche: eyewear with a high handicraft and design content High differentiation: brand image embodying Italian culture Total vertical integration internationalization (FDI and export)	Marketing Manager
B.Home Interiors S. r.l. (GioBagnara)	Furniture: Design	1996 Genova	7 million euros 57 employees	95%	More than 100 Countries: Cina, EU (Germany), UK	Focus on a market niche: furniture based on leather High differentiation: brand image embodying handicraft and design content (Made in Italy) Vertical integration Internationalization (export)	Founder/entrepreneur CEO
SOVET S.r.l.	Furniture: Design	1990 Biancade (Treviso)	8 million euros 30 employees	80%	More than 80 Countries: EU (Spain, Italy, France, Germany, Belgium), US, Australia	Focus on a market niche: furniture based on glass with other raw materials High differentiation: brand image embodying Italian culture and Made in Italy value Total vertical integration Internationalization (export)	Founder/entrepreneur + Marketing Director

Source: Author's elaboration.

the company in the design world.

SOVET was founded in the late 1980s by six Treviso glassmakers. In 1990, it was taken over by the current owner, Guido Porcellato, who transformed it into a successful company, establishing it as a new protagonist in the world of Made in Italy design furniture. SOVET began to collaborate with internationally renowned studios. The DIVETRO collection was born in 2003, developed together with the prestigious Spanish studio Lieve Alther Molina. SOVET presents a product line of furnishings and accessories made by the most sophisticated and original glass, such as innovative carbon-treated glass or a combination of glass with other materials like wood, steel, ceramic, and aluminum.

4. Results and main findings

4.1. Digital transformation and impact on BM and customer value creation

The analyzed SMEs are established in mature Made in Italy industries with “traditional ways of doing businesses,” but all have set up a digital transformation process for shaping relationships with customers and changing the traditional business model (Table 2).

Fratelli Carli was established in 1911 as a B2C company and was characterized by direct marketing, selling via a printed flier/catalogue or phone with home delivery. Customer value creation is connected to home delivery. In October 1996, Fratelli Carli decided to invest in an e-commerce website (“it was a natural evolution”). In recent years, they have invested in physical stores (flagship stores) to bring the product

Table 2

Business model changes and value creation processes.

	Customer segments within the Business Model	International customers	Channels	Digital tools employed	Pre-Purchase Phase	Purchase Phase	Post-Purchase Phase
Fratelli Carli S.p.A.	Prior Business Model: B2C via mailing Replaced business model: E-commerce Omnichannel More intense relationship with customers	New international customers	Oil: Home delivery Mailing Call center E-commerce Cosmetics: Same + Physical store Marketplaces (Amazon)	Social media Web (shop window and e-commerce) CRM Big Data Analysis	Social media and Web (shop window and e-commerce) CRM Big Data Analysis	Social media Web (shop window and e-commerce) QR code CRM	Social media QR Code CRM
De Matteis Agroalimentare S.p.A.	Prior Business Model: B2B production for private labels and B2C own brands (medium and high end market) Replaced business model: Focus on a premium brand based on an agreement with farmers and agronomists to produce pasta with the best quality of wheat	New international customers Targeted web advertising campaigns to the end market in foreign countries	Agents and distributors present in many international markets E-commerce Marketplaces	App for B2B Web (shop window and e-commerce) Social media Big data Analysis	Social media Food influencer Videos	N.A.	Social media
Freddy S.p.A.	Prior Business Model: B2B Replaced business model: B2C E-commerce Omnichannel More intense relationship with customers	New international customers	Agents and distributors present in many international markets E-commerce Marketplaces Flagship stores	App for B2C App for B2B Web (shop window and e-commerce) Social media CRM Big data Analysis Chat bot Smart wall	Social media and Web App CRM Big Data Analysis Chatbot Smart wall	Social media Web QR code CRM Chatbot Smart wall	Social media CRM
Essequadro S.r.l.	Prior Business Model: B2B production for private labels companies Replaced business model: B2B production with own brands B2C e-commerce Direct relationships with customers	New international customers Better knowledge of foreign market target	Agents and distributors present in many international markets E-commerce Marketplaces	App for B2B Web (shop window and e-commerce) Social media CRM Big data Analysis	Social media	Web	Social media
B.Home Interiors S. r.l. (GioBagnara)	Prior Business Model: B2B production Replaced business model: Increase of the direct relationships with customers	New international customers Better knowledge of foreign market target	International Exhibitions Architects/Interior, yacht, and plane designers Shopping malls focused on Design Marketplace focused on design (Artedona) Agents and distributors present in many international markets	Social media Web (shop window) Online catalogue	Social media	Web (shop window) Online catalogue	Social media
SOVET S.r.l.	Prior Business Model: B2B production Replaced business model: Increased direct relationships with customers	New international markets Better knowledge of foreign market target	Interior designers / Architects Agents and distributors present in many international markets E-commerce Marketplaces	Web (shop window and e-commerce) Social media CRM Big data Analysis (work in progress)	Social media	Web (shop window and e-commerce)	Social media

Source: Author's elaboration.

closer to the consumer, enhancing value creation. Moreover, Fratelli Carli is a partner of some digital marketplaces (e.g., Amazon), especially for the Mediterranean brand. All marketing channels (mailing/phone, e-commerce, digital platforms, physical stores) are integrated to enhance the number of touchpoints and serve the customer along the consumer journey.

De Matteis does not sell directly to the end customer. Thanks to digitalization, De Matteis developed and strengthened a direct relationship upstream with the farmers and downstream with modern distribution channels. In particular, they partnered with the most advanced retailers on “a shared database to upload all the technical information on the products. There are some platforms where the data can be uploaded directly

by the suppliers, and we are reaching total integration. The ownership of the information is shared, involving a significant change in the process.” Since 85% of De Matteis’s revenue is made by exports and the company is present in 45 countries, the possibility of creating a strong partnership with major grocery retailers abroad allowed the company to consolidate its position in foreign markets and to gain greater visibility among international customers. In addition, despite De Matteis not developing the Amazon channel on its own, its products are sold on Amazon by its business customers (“you finish to sell on Amazon regardless of your specific willingness to do it”). This is inducing management to think about the opportunity to use this marketplace to increase foreign market share and spread knowledge of the company’s products among the international consumers, especially for the premium brand “pasta Armando.”

Through the years, Freddy has changed its relationship with customer segments, creating digital channels. Freddy was traditionally a B2B company, and the most important distribution channel was the wholesale. With digitalization, Freddy is a B2C company that uses several marketing channels: traditional (wholesale), e-commerce via

Freddy’s website and Amazon (“we are both vendor and seller”) and flagship store. Now Freddy is promoting “brick and click revolution” aimed at reinforcing the omnichannel strategy to enhance the customer experience both online and offline: “Even though it is far more convenient to shop online, the majority of individuals still prefer to buy their goods in a physical store.” At the moment, Freddy has 47 Brick & Click stores worldwide. Freddy’s stores support digital engagement through a touchscreen (smart wall) that allows consumers to experience a virtual dressing room connected to social networks, to complete the purchasing experience with additional information (product, intended use, cross selling), and to make online purchases or reservations (interaction between the stores).

Essequadro was traditionally a contractor focused on manufacturing eyewear for private label firms. It is mainly a B2B firm, selling to the end consumer through a network of agents and professional optical shops that build the customer experience and promote customer engagement. With digitalization, Essequadro had the opportunity to serve many business customers through the online channel and to grow the

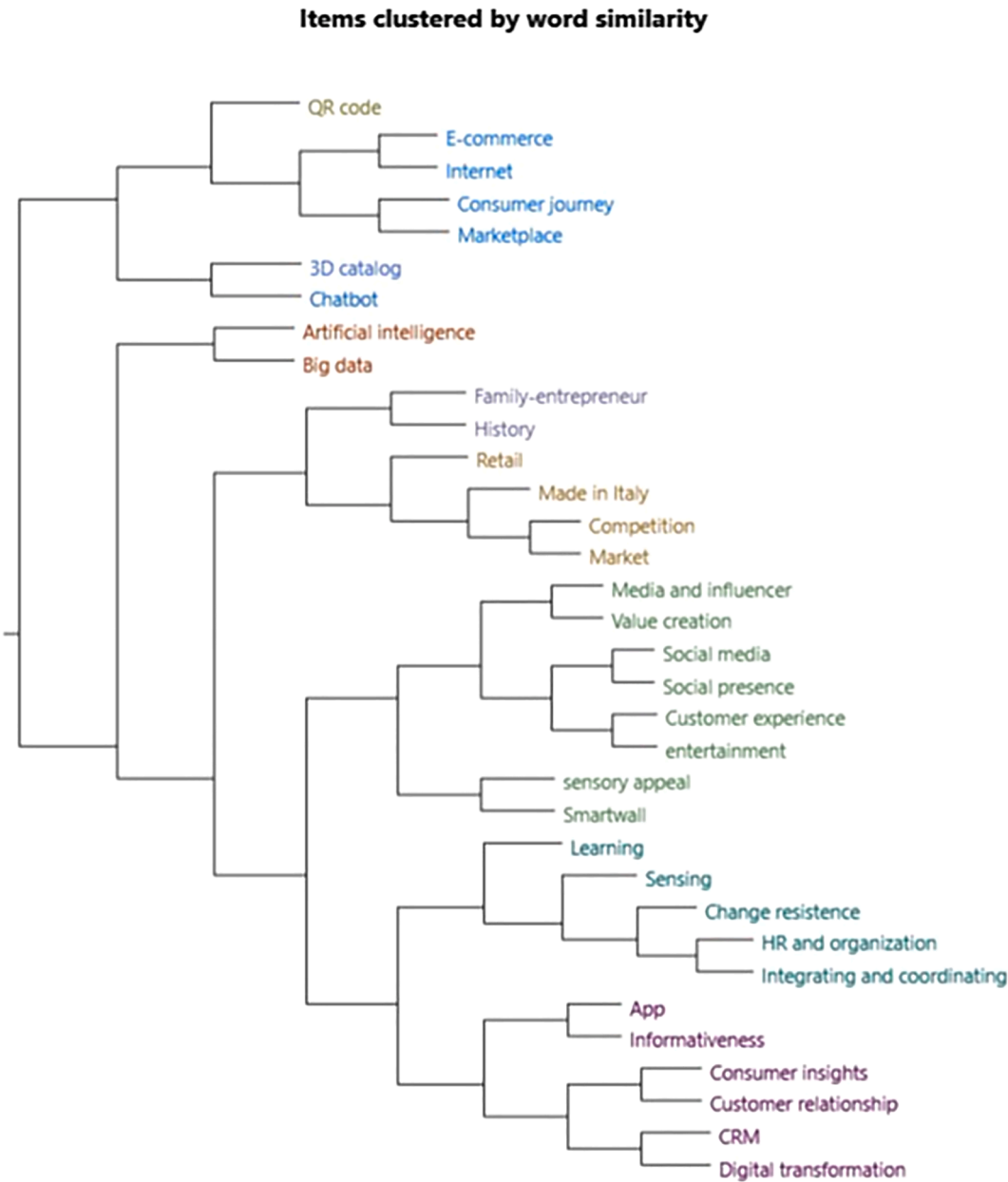


Fig. 1. Codes clustered by word similarity. Source: Author’s elaboration with NVivo 12.

development of its own brands: Essedue, KYME sunglasses (recently acquired at 51%), Bzp Eyewear, and Silvian Heach. In 2016, Essequadro created its first foreign branch in Germany and, in the same year, its network of sales agents in France. The company entered the United States, Russia, Hong Kong, Singapore, China, and Tunisia. Currently, it continues to grow internationally. *“The traditional distribution channels are still the most important channels to sell our products abroad, as we have an e-commerce website that we use to directly sell our products abroad. Eyewear is a particular product, since on the one hand, the design, style, and fashion are very important drivers in purchasing decisions, while on the other hand, it is a medical device with special needs.”*

For SOVET, digitalization helped re-shape the internal production process (SOVET invested in Industry 4.0 technologies) and increase the direct relationships with the customer. Adopting digital tools was *“necessary to make our products known around the world; print advertising is impossible.”*

For GioBagnara, digitalization supports the creation of direct customer relationships, enhancing the visibility of the products internationally.

This is evident by examining the cluster analysis by codes based on word similarity provided by NVivo12 (Fig. 1), where “digital transformation” belongs to the same cluster of “CRM” and “customer relationships.”

Regarding the most important instruments and their use in the different stages of the consumer journey, we examined if and how digital transformation helps enhance consumer value creation in each stage. The examined companies employ different types of digital instruments oriented to various targets (consumers, distributors, and suppliers) with diverse aims. Websites are used mainly as shop windows, and they are especially useful for the pre-purchase phase to satisfy consumers’ information needs and for developing brand awareness. Freddy and Fratelli Carli’s websites are e-commerce platforms.

The use of app technology for the end consumer is quite moderate among the selected companies. Only Freddy employs a consumer-oriented App, which allows consumers to create a “dialogue” and interact with other digital instruments: website, social media, and smart wall. Freddy uses a “simple” chatbot: *“It is not able to answer all consumer queries and accomplish the entire consumer journey,”* but it helps consumers interact with the company, stimulating conversations. These digital instruments are useful, especially during the pre-purchase and purchase phases, for developing consumer awareness. Fratelli Carli recognizes that App and chatbot technologies have great potential, but they do not have them currently: *“It is not easy to have an App for us... In the past, we had a forum... at the moment the chatbot is not a priority. We prefer to use and select social media that are consistent with our target.”* Apps are used mainly for the supply-side, with a functional aim, for developing an informative experience. This result is confirmed by cluster analysis (Fig. 1), in which “App” and “informativeness” belong to the same cluster.

De Matteis has developed a supplier-oriented App, which has the objective of talking to a huge community of farmers to give them agronomic and commercial information. For example, *we can remember that the dates for certain types of treatment are approaching or we give information on the weather or on some risks that may derive from climatic conditions. We alternate this kind of information with marketing ones, focused on communication initiatives related to the Armando brand to keep the two worlds of production and distribution connected.”* Essequadro and Freddy offer an App tailored for B2B, with the aim of facilitating communication and supply chain information with distributors (wholesalers and retailing partners). For Essequadro, *“each new optician is registered on the system, receiving the information to login the private area where they are constantly supported through customer care service and can place orders simply using their computers in the shops, or by smartphone, through the App available for Android and IOS.”* With this tool, they can know stock availability, see order history, download official marketing materials, and send after-sales requests.

QR-Code is used only by Fratelli Carli and is applied to each product as an electronic label. It is useful in purchasing or post-purchasing phases, in terms of product information (i.e., characteristics, ingredients, and nutrition elements), traceability, and valorization of the branded products for the customers. Therefore, it mainly strengthens the cognitive dimension of customer experience, which is of paramount importance for consumers who want to know more about the product. Despite De Matteis acknowledging that the QR-Code would be a natural step for an integrated supply chain a product like pasta Armando, there are technical problems related to packaging that present high adjustment costs.

However, the most important benefits for all companies in the study stemming from digital transformation are related to the cross-valorization of social media, CRM, and big data analytics. Social media are relevant in each phase of the consumer journey and in each dimension of customer experience. For De Matteis, social media provides a great opportunity to directly keep connected with consumers, because food is a traditional product that requires involving an intermediary distributor. Social media are appropriate for the dynamic change that the food sector is experiencing, which is characterized by a new kind of consumer that wants to connect with the product for a unique experience. Thanks to social media, De Matteis can accompany the consumer along the entire consumer journey, trying to create experiential value for consumers, increase interactions, and hence heighten willingness to purchase. *“In relation to this trend, we use social media to make consumers live our world through the recipes and the several ways of cooking our pasta.”* An instrument that is often used to reach these types of experiences is an influencer, which companies must accurately choose. For example, Alessandro Borghese, one of the most important Italian food influencers, with several hundred thousand followers on his social pages, provides crucial testimonies. The objective is to stimulate the consumer’s affect by providing pleasure connected to the cooking experience through a series of viral videos.

In addition, social media are tools to help consumers understand the integrated chain of pasta Armando and the background of the product, including food safety and the quality of the wheat. This generates positive feelings and emotions towards the brand, increase customer satisfaction and retention, which are the prerequisites of customer engagement.

Regarding international markets, the company uses the social media for its foreign business customers in the pre-purchase stage to promote its products to a specific target market. For example, they reach international consumers that live close to the supermarkets where the products are distributed. *“We did this kind of promotion with the Delhaize chain in Belgium and Spain, where we advertised videos through the Facebook pages of a large-scale retailer.”*

For Essequadro, Instagram and Facebook provide the opportunity to communicate worldwide brand meanings and messages expressing the culture of Italian eyewear embodied by firms with low financial investments. *“The company cooperates with bloggers, influencers, and celebrities to promote the brand online through exclusive partnerships and special editions of its models.”* In addition, social media are of paramount importance to trigger the affective dimension of the customer experience and generate positive emotions toward the brand. Although it is mainly a B2B company, since the distribution is linked to the network of optical shops, social media enables the firm to create a direct connection with the end market. Social media help customers, especially in the pre-purchase phase, allowing the company to develop knowledge and strengthen brand awareness and brand identity. *“The design of each collection is based on different markets, needs of different customers, and the customs of different cultures. For Germany, and more generally North European people, we need to develop a tailored collection that is adapted to the different characteristics of faces... In addition, we are used to launching specific online marketing campaigns tailored to specific market targets worldwide.”*

For Freddy, Twitter is considered less effective than Instagram and

Facebook, while Tik Tok is a great dilemma. “Instagram is also an important selling instrument,” since photos and posts are clickable and connect to the virtual store (pre-purchase phase + purchase phase). Instagram allows consumers to post photos and videos regarding the products. In this way, the company attempts to trigger the affective dimension and the social dimension of the customer experience, in which delighted and loyal customers share their experience with others, thereby becoming advocates for the product, brand, or company. The same is true for Fratelli Carli, which uses social media to create a community that shares recommendations about the use of products (especially in the cosmetics segment), which is useful in the post-purchase phase.

Analyzing the results of the cluster analysis provides evidence that social media enhances the experiential dimension of “social presence” together with “entertainment,” thereby improving the customer experience.

For GioBagnara and SOVET, Instagram is the most powerful instrument to show the products, which is especially important during the pre-

purchase phase. Considering the specific features of the furniture design industry, digitalization of the catalogue (and the creation of 3D images) is one of the most important “services” for interior designers and architect studios, which provide the furnishing products in an Augmented Reality to show the results of services and provide customers with an immersive experience.

Social media are useful for Big Data Analysis. Reading the comments and the extraction of hidden insight about consumer behavior on social media, together with the exploitation and the interpretation of the insights, helps companies shape customer value creation on the basis of consumers’ profiles. Product innovation is tested using consumer analytics, without waiting for traditional marketing research. Moreover, it is possible to develop a tailored customer experience by applying dynamic pricing based on changing consumer demand and by launching personal promotions. This develops a tailored customer experience for the most advanced stage of the value-creation process: customer engagement during the entire customer journey from pre-purchase to post-purchase phase.

Table 3
Capabilities for digital transformation.

	Major trigger of digital transformation	Leader in the digitalization process	Main resources	Capabilities: Sensing	Capabilities: Learning	Capabilities: Integration/ coordinating
Fratelli Carli S.p.A.	Curiosity “of the first mover in the Italian e-commerce domain” New digital technology development	Family	Human Resources Technology Reputation	Scanning for technological trends Scanning of new consumer behaviors	Analysis of external environment Learning from others (big players) Hiring of new human resources	New organizational functions related to digital New human resources devoted to coordinating the omni-channel process distribution
De Matteis Agroalimentare S.p.A.	High technological standard of business customers (large-scale retailers) Curiosity of top management toward the potentiality of the new digital technologies New digital technology development	Family + marketing function	Human resources Technology Relationship capital (upstream with farmers/agronomists and downstream with the distribution network)	New demand forecasting methods based on Artificial Intelligence Online market researches to test consumer behavior	Cultural mentality of workers based on learning from the environment Hiring of new human resources	Continuous adaptation of the organization to the changeable environment (flexibility) Development of team working at the inter-functional level
Freddy S.p.A.	New digital technology development	Family + CFO	Human Resources Technology	Imitative behavior related to digital marketing Scanning of new consumer behaviors	Organizational learning: willingness to learn different ways of doing business, new tools and instruments Hiring of new human resources	New organizational functions related to digital Reorganization of processes and tasks
Essequadro S.r.l.	Young age of the company and of the entrepreneur, management, and employers New digital technology development	Family + marketing manager	Human Resources Relationship capital (with sales network)	Imitative behavior related to digital marketing Scanning for fashion and digital trends emerging from the big players (like Gucci, Celine, etc.) Customers knowledge through social media	Organizational learning: Trends analysis Marketing research Willingness to learn different ways of doing business Hiring of new human resources	New organizational functions related to digital Better integration between design/graphic and marketing departments
B.Home Interiors S.r.l. (GioBagnara)	Young age of the company New digital technology development	Entrepreneur and wife	Human Resources Relationship capital (with interior designers and press)	Scanning for digital trends emerging from the big players (like Armani, Casa, etc.)	Organizational learning: Trends analysis Marketing research Willingness to learn different ways of doing business Hiring of new human resources	New organizational functions related to digital (marketing)
SOVET S.r.l.	New digital technology development	Family + marketing manager	Human Resources Relationship capital (with distribution network)	Scanning for digital trends	Organizational learning: Trends analysis Marketing research Willingness to learn different ways of doing business Hiring of new human resources	New organizational functions related to digital (marketing) Better integration between design/graphic and marketing departments

Source: Author’s elaboration.

De Matteis is developing a project of Artificial Intelligence to forecast demand to plan industrial activities and provide product when needed and in the right quantities. The model is based on algorithms that use the company's historical data combined with external databases. In the United States, the company will study the seasonality of the pasta market linking it to some national celebrations, to forecast demand peaks and declines.

Chatbot and smart walls are not very used in the case study companies, most of which operate B2B. The cluster analysis indicates that smart walls increase customer experience related to the “sensory appeal” dimension.

4.2. Digital transformation and the role of dynamic capabilities.

As all the investigated companies are family firms, family entrepreneurs are directly involved in the strategic governance, supported by external managers. This is typical for SME in Italy. Hence, in all cases, the decision to implement a digital transformation was driven by the entrepreneurial family with the help of top management (see Table 3).

Lucio Carli says: “The family started the digitalization process! I wanted the first e-commerce and I promoted the use of new digital marketing media.” New managers may help to identify the most suitable solutions “in a world that is moving at an exponential rate.” For De Matteis, the entrepreneurial family promoted the digital transformation of the company as an integral part of the corporate strategy developed by Marco De Matteis and his sister, Gabriella. At a more operative level, the marketing function was an internal driver, while more advanced business customers requiring high digital standards constitute an external driver. It appears similar for Freddy: “Carlo Freddy and the family promoted the digital transformation that allows us to become a B2C company.” For Essequadro, the digital transformation and the intense use of social media marketing were initially promoted by the entrepreneurial family. In the case of GioBagnara, the founder, Giovanni, played a pivotal role in the introduction of digital instruments, particularly social media. Therefore, we found evidence of the criticality that leaders (owner and/or managers of SMEs) recognize the potential of digitally enabled growth (North, Aramburu, & Oswaldo, 2019). Dynamic capabilities useful in digital transformation are anchored in the ideas and performance of individuals, specifically entrepreneurs (Vial, 2019) that support, build, and maintain such competences, which are responsible for decision-making related to dynamic capabilities topics (Goerzig & Bauernhansl, 2018).

Following Pavlou and El Sawy (2011), we asked the interviewees to identify the most important dynamic capabilities useful for digital transformation. We created a Hierarchical Chart on NVivo 12 based on the text coded as “capabilities,” distinguished in “sensing,” “learning,” and “integrating and coordinating.” It is evident that the dynamic capabilities on which our respondents focus more the attention were sensing and learning, for different reasons.

The ability to understand the potential of digital technologies (tools, content, distribution channels, services, e-business applications) to create customer value is considered a determinant for Fratelli Carli, which invested in a digital channel in 1996, when e-commerce in Italy was less diffused. The sensing capability is defined by Lucio Carli as “the ability to seize opportunities and therefore to reach a balance between the old and the new,” which follows Teece et al. (1997), for whom it was necessary to surveil market trends and new technologies to sense and seize opportunities. Sensing a new context of the customer enables the firm to gain deep insight into customer motivations and the proper mix of traditional and digital instruments. For Essequadro, the family's sensing capability is considered the most important driver of a firm's competitiveness and digital transformation. Sensing is defined as the capacity to scan emerging fashion trends promoted by big players (e. g., Gucci, Celine, etc.), especially on social media with the most attractive digital/social media marketing solutions: “We have a good ability to sense and seize opportunities. We look ahead!”

For De Matteis, sensing and coordination capabilities are crucial for value creation in the digitalization process. “Sensing means paying attention to all the external stimuli, to read and interpret the market. Coordination means having the capabilities to continuously change the company's processes, to adapt them to environmental changes.”

For Freddy and for Essequadro, sensing follows the trends. For SOVET: “Sensing is important. We have always been innovative. Personally, I take inspiration from others to update myself, and I take inspiration to do something different; [sensing is] listening to consumers to understand their hidden needs.”

Considering that SMEs tend to be “digital followers” of bigger firms, the learning capability is the other most important capability in the value creation process triggered by digital transformation. For Fratelli Carli, “the ability to learn is something new that needs to be applied to old processes...listening, looking for what happens; so you do not have to just watch in your country, maybe look all around.” Freddy considers the learning capability the principal driver of value creation in digital transformation: “Learning is applying knowledge about mechanisms that there were not before ...it requires efforts from everyone.”

As Essequadro is a trend follower, capable learning comes from big companies that create fashion trends and are crucial drivers of innovation and competition. Learning capabilities are defined as “learning from the market...we have an innate ability to listen to the market.” This ability derives first from the family firm origin (i.e., a family of opticians) and second from the cross-reading of web, social media, and magazines to understand “what Gucci means, what Celine means” and “what the market wants.” From this perspective, learning capabilities are enhanced by the use of digital instruments that help deeply understand fashion trends and customer needs. It is clear that “learning focuses on using market intelligence to create new knowledge” (Pavlou & El Sawy, 2011, p. 244). For GioBagnara: “it is important to learn from Armani Casa magazine and others design trend setters to understand the best ways to show products.”

Such a learning process led to hiring new managers, focusing on e-commerce and social media marketing in collaboration with external professional communication agencies. All the companies invested in technological resources and in new human resources that accomplished organizational renewal required by digitization. Such new figures need to be coordinated and integrated in existing organizational structures to avoid conflicts and change resistance from extant functions. The relations among all these variables are shown in Fig. 2, in which “HR and organization,” “change resistance,” and “integrating and coordinating” are clustered.

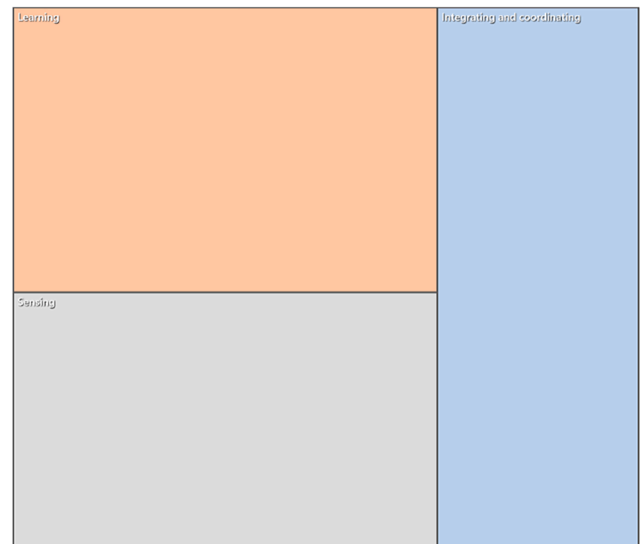


Fig. 2. Hierarchical chart compared by number of coding references. Source: Author's elaboration with NVivo 12.

5. Discussion

The results help to understand how digital transformation is changing the customer value creation process of SMEs (RQ1). According to [Lemon and Verhoef \(2016\)](#), digitalization leads all companies to try to create a seamless experience with customers along different channels and touch points, combining online and offline channels. Through digitalization and integration of different distribution and communication channels, firms seek to enhance the purchasing experience, add information, and stimulate interactions and conversations between consumers and companies at each stage of the consumer's journey.

The new business models, mainly based on customer engagement, are primarily influenced by a change in the distribution channels oriented to an omni-channel strategy. Along the consumer journey, digital tools enhance different dimensions of the customer experience, particularly informativeness, entertainment, and social presence. From the cluster analysis provided by NVivo12 ([Fig. 1](#)), Apps are used mainly for developing functional experiences and increasing the gathered information for the customers, while social media are the principal tools with which SMEs expand affective experiences, such as “social presence” and “entertainment.”

Following [Taiminen and Karjaluoto \(2015\)](#), the results confirm that social media have radically created new ways of interacting and are the most important means of communication and value creation within the business model, enhancing entertainment during the pre-purchase phase and the social presence during the post-purchase phase. The selected companies invested in Instagram and Facebook, which are aimed at implementing and improving corporate brand communication strategies and encouraging interaction, participation, and collaboration with consumers. Social media encompasses social networking, blogging, influencers' engagement in promoting the brand, paid advertisements, video, and photo virally spread.

On the basis of the previous results, digitalization drives changes to key components of the business model, including companies operating in the traditional business, which confirms [Ferraris et al. \(2018\)](#) and [Warner and Wäger \(2019\)](#). Moreover, according to [Ashley and Tuten \(2015\)](#), digital technologies help SMEs overcome the disadvantage of size, allowing the generation and communication of content and engagement of consumers, as well as the quick development of brand image at a lower cost. This is true for international markets, where digital instruments are becoming essential for engaging new customers, creating relationships and brand affection, directly selling products abroad, and better understanding consumer needs and changing attitudes.

Following [Vial \(2019\)](#), our results confirm that SMEs use digital technologies to strengthen customer relationships through the different marketing channels and touch points of the consumer journey. In the cluster that includes “digital transformation” and “CRM,” “customer relationship” and “consumer insights” are included. These digital tools are used by SMEs for having an intense co-creation to better understand consumer desires and future trends for higher product success.

The case studies contribute also to understand the most important dynamic capabilities for digital transformation in SMEs (RQ2). Specifically, they help to obtain a broader comprehension of the specific role played by dynamic capabilities as facilitators of digital transformation.

Sensing is the first driver of digital transformation and is triggered by the entrepreneur/family members. In SMEs, the willingness to transform the relationship with the customer is the desire of the company's owner ([Goerzig & Bauernhansl, 2018](#)).

The adoption of various types of technology, mainly social networks, allows companies to build a direct and emotional relationship with customers, which develops a company's understanding of consumer desires, feelings, and needs. Through the affective and social dimensions, companies may refine sensing capabilities in deep connection with customers. According to [Sashi \(2012\)](#), through digital technologies, companies trigger a virtual circle that starts from customer interaction,

continues with customer satisfaction and commitment, and arrives at customer engagement. During this process, companies gradually improve sensing capabilities that enhance all the dimensions of customer experience.

As the sampled firms are SMEs, learning is crucial for the design of digital transformation: SMEs tend to study trends and ways of doing business from bigger competitors. Hence, for SMEs, digital transformation is a learning process that requires effective capabilities to integrate technology, business, and learning strategies ([Wang, 2008](#)), and the process of hiring new human resources has been the necessary condition, following [Hubschmid-Vierheilg et al. \(2019\)](#). These new staff members have been inserted into organizational structures and new organizational functions to deal with e-commerce and digital marketing departments have been created. Moreover, considering that these new organizational functions interact with traditional functions, organizations had to reshape to meet the digital opportunities. The knowledge from new staff was useful for disseminating a digital “culture” in the companies, and the training of “old” employees was fundamental. Companies tried to revamp existing operational capabilities with learning, new knowledge, and skills ([Teece, 2007](#)), but as knowledge from the learning process was mostly held by new employees, it had to be integrated at all levels ([Teece et al., 1997](#)).

Therefore, the capability to integrate and coordinate digital knowledge throughout organization was fundamental for all the selected companies, and the development of cross-functional teams and flexible organizations were the main instruments. Moreover, the coordinating capabilities were important to the integration of different distribution (e-commerce) and communication channels (website and social media), following an omni-channel logic. To enhance the purchasing experience, adding information and stimulating interactions and conversations between consumers and companies at each stage of the consumer journey required a strong integration and coordination among the different activities.

Based on previous results and after carefully examining the current literature, this study develops seven research propositions. The research propositions are linking the various analyzed constructs: digital transformation, customer value, and dynamic capabilities. Therefore:

Proposition 1: Digital transformation can facilitate customer value creation through the adoption of several digital technologies that support all stages of customer journey.

Proposition 2: The omni-channel strategy can improve customer value creation during the purchase phase, enhancing informativeness, entertainment, and sensory appeal.

Proposition 3: Apps and social media can facilitate customer value creation during the pre-purchase phase, enhancing informativeness and entertainment.

Proposition 4: Social media can improve customer value creation during the post-purchase phase, enhancing entertainment and social dimension.

Proposition 5: Sensing can support the start of digital transformation, enabling customer value creation.

Proposition 6: Learning can facilitate the design of digital transformation, enabling customer value creation.

Proposition 7: Coordinating and integrating capabilities can support the omni-channel strategy, which enhances customer value creation.

6. Conclusions, implications, and limitations

This study scrutinizes how SMEs operating in traditional industries have changed business models and customer value creation processes due to digital transformation. Given that the latter is a phenomenon generated by the adoption of digital technologies and tools, our work attempts to identify the most important dynamic capabilities that help companies create value for customers through effective use of digital technologies.

While previous studies on digital transformation and value creation focused on the consequences of technology adoption, we provide further understanding from the perspective of dynamic capabilities as facilitators of digital transformation. To the best of our knowledge, this is the first attempt to connect digital technology adoption, dynamic capabilities, and value creation processes of SMEs. Our analysis was not limited to social media, but it was extended to more complex technologies such as Big Data Analytics, Apps, QR codes, and chatbots, which are less prevalent among SMEs. In particular, we aimed to understand how customer value is created and co-created at the different stages of the customer journey and the specific role played by the different kinds of dynamic capabilities supporting the adoption of digital technologies. To this aim, we considered the online customer experience conceptualized by Bleier et al. (2019) through the four dimensions of informativeness, entertainment, social presence, and sensory appeal.

The context of analysis is represented by SMEs operating in the Made in Italy sectors. From the analysis of six case studies (belonging to the fashion, food, and furniture industries), it emerges that the investigated SMEs are inclined to use digital instruments in the distribution, communication, and market analysis phases, which shape their business models. In particular, digital instruments (e.g., social media, Apps, chatbots, big data) help modify the process of consumer value creation, generating new distribution channels that are integrated in an omni-channel perspective, which provide deeper and new relationships with consumers. Moreover, the study shows that sensing and learning capabilities are essential to pursue proper digital transformation and that the entrepreneurs or the family owners drive these capabilities. Integrating and coordinating capabilities are natural consequences, which are driven more by managers.

This study provides theoretical and practical implications. First, this study helps to enrich the business model and digital transformation literature for SMEs, which remains a neglected area of research. Second, the focus on Made in Italy enhances knowledge about the current application of digital marketing instruments for innovative customer value creation processes. Third, the study contributes to the organizational capabilities literature, especially for this type of small firm, where the relevance of sensing and learning capabilities for digital transformation is high, and these capabilities are driven by the entrepreneur/family owner, while the integrating and coordinating capabilities are promoted by managers. In particular, the study focuses on the strategic role of the entrepreneur/family in promoting digital transformation, such as the relevance of external managers in the implementation phase.

Moreover, this research has significant managerial implications. Digital technologies help SMEs operating in traditional sectors, such as Made in Italy, where the firm's reputation, brand awareness, and customer relationships are important competitive markers to reach success. Digital transformation is a condition for value creation at the international level, especially in B2C sectors, where brand awareness is crucial. Neglecting the digital instruments is risky and may seriously compromise the survivorship of the firm. In addition, the use of these technologies is not without difficulties and requires changes in management and vision that have roots in the acquisition of new organizational and marketing capabilities.

The practical implications can be extended to other potential areas. First, this work is useful for human resource management, since the capabilities perspective can lead to understanding principal capability gaps for SMEs that want to apply a digital transformation. Second, this work encourages policy makers to invest in promoting and supporting SMEs' entrepreneurs/managers to enhance capabilities for digital transformation. Considering the lack of resources of SMEs, practical actions should include research programs, training courses, public bodies that help SMEs identify digital instruments and opportunities, and the identification of financial resources for investment.

Despite the importance of the empirical results and practical implications, this study presents some inherent limitations that might be challenged in future research. First, the study is based on a multiple case

study design that does not provide static generalizations, yet it offers a "steppingstone" to building new theory. In this sense, this is a pilot study for other analyses. Further studies are needed to extend the number of case studies, by including other SMEs operating in other the Made in Italy sectors. Second, considering that Italy is a country characterized by a strong difference between northern and southern regions, geographical context in which the Made in Italy SMEs are operating could be useful. Future comparative research could consider differences between types of Made in Italy SMEs, including geographical position, industry focus, brand positioning, governance structure, and age, thereby enlarging the possibility of analyzing different applications and triggers of digital transformation. Third, the number of investigated variables could be expanded by adding other factors related to the digital transformation, such as the production/logistics phase (Industry 4.0) and the micro foundations of the organization (e.g., human resource management).

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