CHALLENGE AND CHANGE: AN EXPLORATORY STUDY OF COMPETITIVE STRATEGY IN THE NORTHERN CALIFORNIA AND SPANISH WINE INDUSTRIES

Armand Gilinsky, Jr.
Robert Eyler
Sonoma State University
armand.gilinsky@sonoma.edu
eyler@sonoma.edu

Agustí Casas Romeo
Esther Subirá Lobera
University of Barcelona
acasas@ub.edu
esubira@ub.edu

CHALLENGE AND CHANGE: AN EXPLORATORY STUDY OF COMPETITIVE STRATEGY IN THE NORTHERN CALIFORNIA AND SPANISH WINE INDUSTRIES

Abstract

This exploratory research investigates and compares the impact of country location on small business competitive strategy. Focal wine industry is selected to minimize environmental "noise." Sample consists of 67 Northern California and 23 Spanish wineries via mail and in-person survey. Respondents are grouped by company size. Hypotheses are tested for location impact on niche vs. mass-market strategies and on product diversification vs. retrenchment strategies. Findings indicate some support for country effects on small business propensities to seek economies of scope and diversification. Implications for researchers and practitioners suggest a need to build competence, social networks, and intra-industry collaboration to minimize location advantages.

CHALLENGE AND CHANGE: AN EXPLORATORY STUDY OF COMPETITIVE STRATEGY IN THE NORTHERN CALIFORNIA AND SPANISH WINE INDUSTRIES

Globalization, rapid technology and product/service life cycle changes and industry consolidation greatly impact small businesses (Ward, 1997). Such external forces dictate that small businesses develop growth strategies with the highest potential for value creation and associated risk, or be eventually forced to exit from the market. Attributes peculiar to the family-owned small business, nevertheless, tend to increase the difficulty of choosing the highest return and highest risk-bearing projects as compared to their professionally run or publicly owned rivals (Schulze, Lubatkin, and Dino, 2002). These attributes include resistance to change, aversion to risk, and short-termism with regards to payback periods and innovation in product or service strategies (Poza, 1989; Upton, Teal, and Fealan, 2001; Ward, 1997; Ward, 1989).

These dynamics are salient for the wine industry, which has been dominated for over a century by family-owned and family-run small businesses. That domination has recently been challenged by the purchase of family wineries by large alcohol beverage conglomerates that create liquidity events, i.e. cashing out for the family owners, and also seek to professionalize the industry in the wake of the external environmental challenges. How to compete successfully in the wake of industry consolidation and globalization is of great significance to the small, family-owned wine business.

The global balance of power in the wine industry has shifted from Old World producers such as France, Italy, and Spain to New World producers such as Argentina, Australia, and Chile (Castaldi, Silverman, and Sengupta, 2004; Cholette, 2004; Radford, 2005). Power has also shifted from small family-owned wineries to large multinational conglomerates: in the U.S. alone, the eight largest businesses produce 75 per cent of the wine sold; an estimated 1,600 wineries produce the remaining 25 per cent (Kim and Maubourgne, 2005: 24). In this new environment rivals face intense competition, mounting price pressure, increasing bargaining power of distributors and retailers (due to consolidation in those channels), and flat demand despite overwhelming choice (Kim and Mauborgne, 2005: 25). The wine industry has become increasingly unattractive.

Successful small businesses “must seek a balance between the ends to which the organization aspires and the ways and means available to them” (Steiner and Solem, 1988). However, some researchers suggest that there is no all-encompassing theoretical framework capable of explaining and guiding the strategic management of small businesses, although several have attempted to form such a theory (Churchill and Lewis, 1989; Flamholtz, 1986; Greiner, 1972; Scott and Bruce, 1984). Prior empirical research into the strategic behavior of businesses in the wine industry has focused on documenting the frequency of organizational entry and exit (Delacroix and Swaminathan, 1991; Stoeberl, Parker, and Joo, 1998), the creation of inter-organizational networks (Brown and Butler, 1995), the evolution of wine specialists (Swaminathan, 1995), competitive strategies of Northern California wine businesses (Gilinsky, Stanny, McCline, and Eyler, 2001), competitive strategies of regional Spanish wine businesses (Sainz Ochoa, 2002), and export strategies of small Spanish wine producers (Suárez-Ortega, 2003). Comparing how leaders of wine businesses in different countries perceive strategic choice in the wake of industry dynamism has not yet been addressed, yet remains of great significance.

This paper seeks to address a gap in previous small business research regarding how location is associated with strategic choice. The research question is: do small businesses in different countries converge or diverge in their strategic orientations, i.e., to what extent does location affect strategic choice? The next section examines prior perspectives regarding competitive strategy. Procedures for constructing a sample and survey instrument are developed. Results from analysis of the association between location and strategy are presented. Implications for researchers of small businesses and practitioners are given, culminating in suggestions for future researchers.

STRATEGIC PERSPECTIVES

Building on the approach developed by d'Amboise and Muldowney (1988), two strategic perspectives can be drawn from the literature: (1) specialization in the business's task environment and (2) new product/market development to create economies of scope in order to overcome barriers to growth. These perspectives provide a useful taxonomy of the competitive strategies of the small family business.

Specialization in the Task Environment

The task environment includes key factors that directly affect and/or are influenced by competitive strategies: stakeholders and rivals (Scott and Bruce, 1987; Wheelen and Hunger, 1986; Chen, 1996). A small business can develop a competitive advantage using its flexibility to provide products and services or to perform activities better than its larger, more broadly-based competitors (Lau, 1996; Porter, 1985). Other sources of advantage include: (1) serving a market niche and defending that market segment (Clifford and Cavanagh, 1985; Porter, 1980; Taylor, Gilinsky, Grab, Hahn and Hilmi, 1990); (2) following a path of least resistance relative to the industry's competitive forces (Miller, 1988; Porter, 1980); (3) leveraging a distinctive competence, i.e., a special skill or unique product that could be protected by a trade secret, brand name or copyright (Barney, 1991; Hamel and Prahalad, 1993; Porter, 1980); and (4) investing and applying new technology to develop proprietary processes (Churchill and Lewis, 1989). Specialization of production or innovation in operations would develop a capability to support and defend the market niche (McCann, Leon-Guerrero, and Haley, 2001).

Small businesses may also pursue a broad product/market development strategy involving the following elements: (1) diversifying into new products (Porter, 1980); (2) entering early into new markets or product/service applications (Biggadike, 1979); (3) expanding overseas (Brush, 1996; Lohrke, Franklin, and Kothari, 1999); or (4) diversifying via acquisition (Maruso and Weinzimmer, 1999). Inability to pursue at least one of the above strategic elements poses a barrier to growth. If small businesses stake out positions or niches making them less vulnerable to attack from competitors, then the niche itself may become a restriction on further growth. Lumpkin and Dess (1995: 1404) argue that, "excessive simplicity in the later stages of development affects an organization's ability to exploit existing or new product-market opportunities more than its ability to efficiently allocate and utilize resources."

Hypothesis I: Staking out a niche or focus position, e.g. via serving a well-defined customer group and investing in new technology, should be positively associated with country location.

Hypothesis II: Pursuing a broad-based strategy, i.e. developing a wide range of commodity-type products, should be independent of country location.

New Product/Market Development

The strategy-making process traditionally involves bounded rationality and formal planning in response to perceived stimuli in the task environment (Ansoff, 1965). Taken together, stimuli (customers, competitors, and suppliers) and resources (natural, human, and capital) are important sources of competitive advantage (Gimeno & Woo, 1999). According to Porter (1990), differences across countries in terms of endowments and institutional conditions play out in strategic choices. Country-level stimuli and resources may be illustrated by the dynamics of competition among countries competing for global domination of the wine industry. Not all nations are created equal in terms of growing conditions for grapes, and not all cultures are attractive markets for wine made from those grapes (for example, Asian markets have been particularly slow to change their cultural habits to include wine at the dinner table). Though the “Old World” wine-growing (and high-consumption) countries of Europe have held a historic competitive advantage in terms of perceived quality, the “New World” wine producers in the US, Australia, New Zealand, South America, and South Africa would certainly argue that they are catching up to (and in some instances overtaking) certain European producers in wine quality. In terms of consumption, Europe clearly remains the largest market for wine (Castaldi, Silverman, and Sengupta, 2004). Yet the New World wine producers (with the sole exception of the US) have vastly smaller domestic markets for wine. (Cholette, 2004) Wine producers should be eager to leverage learning into global markets.

Two most essential strategy levers for any business are the product or service it delivers and the markets it sells into (Ansoff, 1965). For each of these, there are two basic states: current and new. There are today’s customers and there is the rest of the world that *could* become customers. Small businesses can sell more of their current offerings, or they can modify them, or they can rationalize their product lines to focus only on the highest growth and/or highest margin products. A country-level strategy could result in economies of scope (Hamel and Prahalad, 1993; Miles and Snow, 1978).

Hypothesis III: Pressures towards increasing complexity would indicate that new product/market development, e.g. via creating new product concepts or innovation in processes, should be positively associated with country location.

Hypothesis IV: Retrenchment, e.g. via decreasing the number of markets served or consolidation, should be independent of country location.

METHODOLOGY

Sample selection and response rates

One means of examining the testing and comparing the real world strategy making processes of small businesses would be to ask them directly. In this regard a focal industry was selected that was regional and identifiable (to hopefully minimize environmental noise in the investigation) and sought to identify and evaluate sources of competitive advantages as noted by small business owners.

Research commenced with a pilot study consisting of identically structured hour-and-a-half, face-to-face interviews with leaders of 12 Northern California wine businesses. Results of the pilot test indicated that the questionnaire was too lengthy and a section asking respondents for anecdotal information was cut from the final version. The resulting questionnaire booklet sent to the owners/CEOs of 368 Northern California wineries listed in the *Wines & Vines 1999* annual directory consisted entirely of Likert-scale questions. Respondents were asked to describe their business and to rate the importance of fourteen competitive strategies currently employed. Question order was randomized to minimize biases and to test questions for future surveys. The Northern California sample produced 118 surveys: 83 complete and 34 incomplete and one unidentifiable, for a total response rate of 32.0%. After elimination of incomplete or unidentifiable surveys, the response rate was 83 out of 368 or 22.6%. Of the remaining 83, 67 (81%) of the sample businesses provided production data.

A similar mail survey to a universe of 66 wine business leaders in Northern Spain (primarily Catalonia, Penedes, Priorat, and Rioja) listed in locally published business directories was conducted using a translated version of the survey instrument. The resulting response rate was 34.8%, for a total of 23 usable responses. Completed surveys were verified by structured one-and-a-half hour follow-up interviews with respondents in person and examination of company annual reports, press releases, and web sites. Questionnaire length was deemed to be the major cause of non-response. Neither size nor ownership (public vs. private) appeared to cause significant differences in response rates of sample businesses.[1]

RESULTS

Table 1 shows descriptive statistics about the 67 Northern California and 23 Northern Spain wineries that provided production data. Data in *Panel A* show that the majority of the wineries were private (94% and 74%) and produced wine at their own facilities (71% and 96%).

[1] For much of the latter half of the 20th century, Spanish vintners enjoyed the position of being the world's lowest cost producer of wine. The number of Spanish companies registered in the wine sector increased by about 12% from 3,500 in 1996 to over 4,000 in the year 2000 (ICEX, 2004). Net sales increased by 58% from €2.8 billion in 1996 to €4.5 billion in the year 2000; investments in tangible assets increased from €77.2 billion to €379.6 billion over that same period (ICEX, 2004). By 2000, however, Spanish wines had already begun losing global market share, in spite of their low cost position in a market characterized by rising world wine prices. Spanish wines, cherished for their affordability as well as their quality, were suddenly priced out of the market (Jones, 1999).

Table 1: Comparative Descriptive Statistics: N. California v. Spanish Samples

Panel A

Attribute of Business	*Number of Wineries*		*Percentage of Wineries*	
	Northern California ($n_1 = 67$)	*Northern Spain* ($n_2 = 23$)	*Northern California* ($n_1 = 67$)	*Northern Spain* ($n_2 = 23$)
Ownership				
Public	4	7	6.0%	26.1%
Private	63	16	94.0	73.9
Where wine produced				
Own facility	47	22	71.2%	95.7%
Custom crush	9	-	13.6	-
Both of above	9	1	13.6	4.3
Other	1	-	1.5	-
Number of separate brands distributed and sold				
1 brand	37	3	56.1%	13.0%
2-3 brands	16	8	24.2	34.8
4+ brands	10	10	15.2	43.5
No branded products	1	2	1.5	8.7
Did not specify	2	-	3.0	-

Panel B

Attribute of Business	*Means*		*Medians*	
	Northern California ($n_1 = 67$)	*Northern Spain* ($n_2 = 23$)	*Northern California* ($n_1 = 67$)	*Northern Spain* ($n_2 = 23$)
Product portfolio - price categories				
Economy (< $3)	0.00%	12.39%	0.00%	0.00%
Sub-Premium ($3 - $7)	2.20	49.48	0.00	60.00
Premium ($7 - $10)	8.45	12.74	0.00	5.00
Ultra-Premium ($10 - $14)	11.52	9.52	0.00	2.00
Deluxe ($14 - $25)	38.29	11.39	25.00	0.00
$25 - $50	23.23	0.87	7.50	0.00
$ >50	6.65	0.22	0.00	0.00
Geographic sales				
Regional	38.25%	25.35	35.00%	15.00
National	53.31	44.43	57.50	40.00
International	6.61	30.22	5.00	25.00
Age (years)	28.51	52.22	20.00	21.50
Sales and distribution of products				
Brokers/Agents	28.50%	8.39%	15.50%	0.00%
Sales force	22.79	15.69	0.00	0.00
Own retail outlets, tasting rooms	11.98	1.78	10.00	0.00
External sales/marketing company	22.56	53.91	0.00	60.00
Direct mail/telemarket/wine club	9.34	2.22	10.00	60.00
Outside services and other	3.37	14.09	0.00	4.00

Major differences between the two samples were that a majority of the Californian wineries sold one brand (56%) while a majority of the Spanish wineries (78%) produced and sold multiple brands. *Panel B* of Table 1 shows that most of the Californian wineries competed in the deluxe and over $25 price categories, 38% and 23%, respectively, whereas most of the Spanish wineries competed in the economy (13%) and sub-premium (49%) segments. On average, the Northern California wineries sold 53% of their product in the U.S. (excluding California), 38% in California and 7% internationally. By contrast, the Northern Spain wineries sold 25% of wine produced to regional markets, 44% to national markets, and 30% to export markets on average. Whereas the Northern California wineries sold a majority of their products via brokers/agents (29%) and sales force (23%) on average, Spanish wineries primarily sold products via external sales and marketing companies (54%). Notably, the Northern California businesses placed somewhat greater emphasis on developing their own retail outlets and tasting rooms (12% on average vs. 2%) and on direct mail and wine clubs (9% on average vs. 2%).

Volume segments

To facilitate comparisons between two samples containing similarly sized businesses, the Northern California sample was divided into two approximately equal

Table 2: Descriptive Statistics: Volume of Cases Produced by Sample Businesses

Panel A: Volume Ranges

	1999	**1998**	**1997**
Northern Calif. "Low Volume" (n =34)			
Mean	9,032.8	7,874.0	6,811.7
Median	6,500.0	5,500.0	5,000.0
St. Dev.	7,349.8	7,228.4	6,154.4
Northern Spain (n = 23)			
Mean	4,048.0	3,555.8	3,199.3
Median	153.5	151.0	89.0
St. Dev.	14,841.5	12,945.8	11,848.8

Panel B: Compound Annual Growth Rates in Volume

	Northern Calif. "Low Volume" (n = 34)	**Northern Spain (n = 23)**
3 yr Compound Annual Growth Rates		
Min	-16.53%	-12.12%
3rd Quartile	9.13%	11.45%
Mean	17.35%	14.06%
Median	12.78%	13.42%
1st Quartile	43.93%	28.95%
Max	123.61%	36.33%

sized segments. Thirty-four of the California wineries produced output greater than 25,000 cases and were "high volume," whereas 33 wineries produced 25,000 or fewer cases and were "low volume." See Table 2 for descriptive statistics.

Mean volume produced by businesses in the Northern Spain sample was somewhat skewed by one larger producer among smaller businesses (*Panel A*). Compound annual growth rate in case production was slightly higher for the California sub-sample (*Panel B*). We are now able to compare the two standardized samples to determine what, if any differences there are in competitive strategies deployed.

Competitive Strategies

Several strategies appear to be significantly more important for the Spanish than for the California producers. See Table 3. These strategies include: (1) rapidly responding to customer needs, (2) selling new product ranges to existing customers, and (3) selling to customers in new overseas markets. For the California producers, strategies in support of capturing and defending market niches appear to be most important: (1) serving a well-defined customer group, (2) attracting and holding high quality staff, and (3) serving a local market or markets. A broad differentiation (mass) strategic orientation for Spanish producers vs. narrow orientation (niche) for California producers provides limited but not conclusive support for Hypothesis I, and no support for Hypothesis II.

Table 3
Competitive Strategies of 'Like Sized' Sample Businesses [n_1 = 34 and n_2 =23]
(Scale: 1 = lowest importance, 7 = highest importance)

	Northern California "Low Volume" Sample (Annual case sales ≤ 20,000) n = 34			Northern Spain Sample (Annual case sales ≤ 20,000) n = 23		
	Mean	Median	Std. Dev.	Mean	Median	Std. Dev.
Respond rapidly to customer needs	4.3	5.0	1.63	**5.8**	**6.0**	**0.95**
Attract and hold high quality staff	**5.3**	**6.0**	**1.71**	4.7	5.0	2.00
Invest in new technology	4.4	5.0	1.71	5.0	5.0	1.66
Serve a well-defined customer group or niche	**5.6**	**6.0**	**1.35**	5.1	6.0	1.66
Sell to customers in new markets overseas	3.9	4.0	2.03	**5.6**	**6.0**	**1.41**
Create new product concepts	4.2	5.0	1.80	5.2	6.0	1.62
Enter early into growth markets	4.4	4.0	1.70	5.0	5.0	1.43
Sell new product ranges to exist. customers	3.8	4.0	1.87	**5.6**	**6.0**	**1.56**
Serve a local market or markets	**4.8**	**5.0**	**1.88**	4.4	5.0	1.62
Develop exclusive processes	3.2	4.0	1.89	5.0	5.0	1.77
Become a smaller, more flexible organization	3.2	3.0	1.75	4.7	4.0	1.68
Acquire other companies	1.9	1.0	1.81	1.9	1.0	1.78
Decrease the number of markets served	2.0	2.0	1.71	1.6	1.0	1.04
Adjust sales goals and profit goals downward	2.2	1.5	1.70	2.4	2.0	1.81

Note: Top three competitive strategies for each subsample are in boldfaced type.

For both samples, process and product technology strategies correlate most closely with a strategy to meet rapidly changing customer needs, providing limited support for Hypothesis III. Early entry into high growth markets, exclusive processes, and flexibility correlate most closely with diversification via new product development, presumably to meet rapidly changing customer needs. No significant correlations, however, are found for Hypothesis IV, relating to retrenchment and consolidation strategies. See correlation matrix in Table 4. Because of the limited data set, a linear regression would not significantly improve an assessment of the incremental contributions of individual strategies.

Table 4
Correlation Matrix Among Study Variables*

	Variables (1 = strongly disagree, 7 = strongly agree)	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
1	Respond rapidly to changing customer needs													
2	Sell new ranges of products	**0.71**												
3	Sell to customers in new markets overseas	0.14	0.13											
4	Create new product concepts	**0.74**	**0.79**	0.18										
5	Serve a well-defined customer group	-0.01	-0.01	0.12	-0.01									
6	Enter early into high growth markets	0.53	0.28	-0.19	**0.63**	-0.04								
7	Develop exclusive processes	**0.70**	0.55	-0.04	**0.72**	0.00	0.52							
8	Invest in new technology	**0.63**	0.54	0.11	0.58	-0.01	0.38	**0.74**						
9	Become a smaller, more flexible organization	0.54	0.37	0.11	**0.66**	-0.19	0.54	**0.79**	**0.72**					
10	Attract and retain high quality staff	0.59	0.37	0.11	**0.64**	0.03	0.37	**0.76**	0.64	**0.73**				
11	Serve a local market or markets	-0.02	0.05	-0.44	0.03	0.21	0.03	0.15	0.26	-0.01	0.14			
12	Adjust sales and profit goals downward	0.22	0.00	-0.17	0.20	0.07	0.57	-0.05	-0.20	0.12	0.03	-0.21		
13	Acquire other companies	0.10	0.04	0.24	0.21	-0.12	0.16	0.19	0.41	0.38	0.19	0.05	-0.10	
14	Decrease number of markets served	-0.56	-0.62	-0.25	-0.48	-0.04	-0.01	-0.53	-0.46	-0.25	-0.33	0.01	0.29	-0.12

*Simple correlations of 0.60 (marked in boldfaced type) are significant at $p < 0.05$.

DISCUSSION AND IMPLICATIONS FOR FUTURE RESEARCH

Driven by growing global demand for higher quality wines at more reasonable prices, a worldwide wine grape glut that reduces raw materials costs for some producers, and the need to increase access to international channels, all wine producers are no longer competing in a domestic environment (Orr, 1999). From the vineyard to the bottle, new technology enables winemakers to satisfy the demands of buyers domestically and globally (Radford, 2005). New marketing efforts are creating flavors and brands that can compete in more than one market and at more than one price point (Crawford, 2005). Prior studies have shown that a minimum output of 50,000 cases per year is considered the minimum to capture any economies of scale in this industry (Brown and Butler, 1995;

Swaminathan, 1995). Still, it may well be that the businesses in this investigation are concentrating more on staying small and preserving their uniqueness, considered vital for "branding" and differentiating a commodity product like wine (Beverland and Lindgreen, 2002). Equally ambiguous is whether these new initiatives are driven by external forces or by conscious internal decisions (Quinn, 1980). We may never know the answer.

Regarding the competitive strategies of the respondents, it appears that risk-taking, innovative, and proactive (entrepreneurial) entry strategies may be instrumental to achieving initial growth (Sainz-Ochoa, 2002; Upton, Teal and Felan, 2001). Later or new entrants to this industry should consider pursuing an "aggressive" strategy aimed at niche market definition and penetration via "entrepreneurial" behaviors (Biggadike, 1979). Established businesses in this industry perhaps tend to experience diminishing efficacy of entrepreneurial behavior and during the transition phase, need to pay greater attention to building management systems and market share (Scott and Bruce, 1987). For mature, slower growth businesses in the wine industry, building more "administrative" processes such as tighter financial controls could lead to improved operating efficiency, cost competitiveness, and increased performance (Taylor, Gilinsky, Hilmi, Hahn, and Grab, 1990).

While among the sample respondents there are several examples of larger businesses that had successfully pursued innovation, this proved to be the exception rather than the rule. Leaders of wine business appear to eventually best serve their interests by emphasizing the establishment of centralized control, standardized operations, formal rules and procedures, or other "mechanistic" tools designed to promote internal efficiency in an uncertain environment (Slevin and Covin, 1997). The environmental jolts impacting the wine industry in recent years have generated a desperate need for a comprehensive understanding of wine business best practices (Venkatraman and Van de Ven, 1998). In the words of several wine business leaders who responded anecdotally to our survey, the following seem to apply to all wine businesses, regardless of size or situation:

- Wine business leaders need to develop long-term financial and marketing planning tools; (Ireland and Hitt, 1997; McGee and Shook, 2000).
- Winery principals that are production oriented need to "learn" how to develop marketing and promotional skills; (Beverland and Lindgreen, 2002; Kotler and Gertner, 2002)
- Each management group must look to co-opetition strategies employed to varying extents by wine businesses in Australia and New Zealand to encourage the development of "networks for success," particularly to enable entry into export markets. (Beverland and Lindgreen, 2002; Brandenburger and Nalebuff, 1996)

Building competence, social networking, and intra-industry collaboration foster entrepreneurial opportunities and competitive advantages particularly in turbulent environments (Svendsen, 1998). Butler and Hansen (1991) affirm that strategic networking is most valuable for established businesses interested in growth and profit. Networking can also help smaller firms achieve economies of scale in the supply and distributions chains, considered critical for entering export markets (Lohrke, Franklin, and Kothari, 1999).

The results should be interpreted with caution in terms of their applicability to other mature industries. Because the study was exploratory in nature and turned out to be parsimonious in terms of sample sizes, no causal relationships are implied. Further research should explore the differential impact of competitive strategies on growth rates. Future research should also be designed to overcome some of the limitations of this study. The relatively small sample of businesses and executives included in the field study may have led to some instability in the descriptive statistics. For example, the negative impact of consolidation and downsizing was somewhat surprising, in that one would expect that since the industry is highly fragmented and mature, merger and acquisition or retrenchment activities would have been more prevalent, particularly among those smaller wineries seeking greater scale economies while preserving their uniqueness as "brands." Medium-sized wine businesses may need to pursue a retrenchment strategy, e.g. limiting case production or winnowing out less profitable brands, in order to command premium price segments and derive above-average returns. Longitudinal research using grounded field research, e.g. case studies of individual businesses, as well as with larger sample sizes is needed to determine the nature and impact of consolidation and retrenchment strategies in this industry (Kenyon-Rouvinez, 2001).

The wine industries in Northern California and Northern Spain were selected for this exploratory investigation in order to eliminate industry differences and because both have a growing but identifiable membership, some of whom are new entrepreneurial entrants competing against a few well-established corporate and family businesses (Crawford, 2005). Rapid strategic shifts are difficult since the wine industry is highly regulated, capital-intensive, and has long lead times between planting grapes and selling wine (Jones, 1999). Respective businesses in each country need to work in concert to help smaller producers develop strategies to enter new product/markets, particularly in export markets.

REFERENCES

Ansoff, H.I. (1965). Corporate strategy. New York: McGraw-Hill.

Barney, J. (1991). Business resources and sustained competitive advantage. Journal of Management, 17, 99-120.

Beverland, M. & A. Lindgreen (2002). Using country of origin in strategy: The importance of context and strategic action. Journal of Brand Management (10)2, 147-167.

Biggadike, R.E. (1979). Corporate diversification, entry strategy, and performance. Cambridge, MA: Harvard University Press.

Birley, S. (1985). The role of networks in the entrepreneurial process. Journal of Business Venturing, 1, 107-177.

Brandenburger, A. & B. Nalebuff (1996). Co-Opetition, New York: Doubleday Press.

Brown, B., and Butler, J. (1995). Competitors as allies: A study of entrepreneurial networks in the U.S. wine industry. Journal of Small Business Management, 33(3), 57-67.

Brown, T., Davidsson, P., and Wiklund, J. (2001). An operationalization of Stevenson's conceptualization of entrepreneurship as opportunity-based business behavior. Strategic Management Journal, 22, 953-968.

Brush, C.G. (1996). Export entry in small companies: Effects of timing on strategy and performance. Journal of Small Business Strategy, 7(3), 53-68.

Butler, J.E. and Hansen, G.S. (1991). Network evolution, entrepreneurial success, and regional development. Entrepreneurship and Regional Development, 3, 1-16.

Carpenter, M.A. & Wm. G. Saunders (2007). Strategic management: a dynamic perspective. Upper Saddle River, NJ: Pearson Prentice-Hall, Chapter Nine.

Castaldi, R.M., Silverman, M., and Sengupta, S. (2004). Globalization in the wine industry: Implications for export service providers. International Journal of Wine Marketing, 16(2), 5-23.

Chen, M. (1996) Competitor analysis and interfirm rivalry: toward a theoretical integration. Academy of Management Review, 21(1) 100-134.

Cholette, S. (2004). A tale of two wine regions: Similarities, differences and trends in the French and Californian wine industries, International Journal of Wine Marketing, 12(2), 24-48.

Churchill, N.C. and Lewis, V.L. (1989). The five stages of small business growth. In H. Stevenson and W. Sahlman (Eds.) The entrepreneurial venture, 263-275. Boston: Harvard Business School Press.

Clifford, D.K. and Cavanagh, R.E. (1985). The winning performance: how America's midsize high growth companies succeed. New York: Bantam Books.

Crawford, L. (2005). Emblem to promote the way forward Wine. Financial Times, June 14, 3.

Daily, C.M. and Dollinger. M.J. (1994). An empirical examination of ownership structure in family and professionally-managed businesses. Family Business Review, 5(2), 117-136.

d'Amboise, G. and Muldowney, M. (1988). Management theory for small business: Attempts and requirements. Academy of Management Review, 13(2), 226-241.

Delacroix, J. and Swaminathan, A. (1991). Cosmetic, speculative, and adaptive organizational change in the wine industry: a longitudinal study. Administrative Science Quarterly, 36(4), 631-662.

Flamholtz, E.G. (1986). How to make the transition from an entrepreneurial to a professionally-managed firm. San Francisco, CA: Jossey-Bass.

Gilinsky, A., Stanny, E., McCline, R.L., and Eyler, R. (2001). Does size matter? An empirical investigation into the competitive strategies of the small business. Journal of Small Business Strategy, 12(2), 1-13.

Gimeno, J. and C.Y. Woo. (1999). Multimarket contact, economies of scope, and firm performance. Academy of Management Journal, 42:3, 239-264.

Greiner, L.A. (1972, July-August). Evolution and revolution as organizations grow. Harvard Business Review, 50(4), 37-46.

Hamel, G. and Prahalad, C.K. (1993). Strategy as stretch and leverage. Harvard Business Review, 71(2), 75-84.

ICEX (2004). The Spanish Wine Sector. Madrid: Spanish Institute for Foreign Trade, Agrifood Products Division, April.

Ireland, R.D. and Hitt. M.A. (1997). Performance strategies for high-growth entrepreneurial businesses. In Reynolds, P. et. al., Frontiers of Entrepreneurship Research, 17, 90 – 104.

Jones, B. (1999). Rioja wines find tough competition. Capitals, September, 37-38.

Kenyon-Rouvinez, D. (2001). Patterns in serial business families: theory-building through global case study research. Family Business Review, 14(3) 175.

Kim, W.C. and Mauborgne, R. (2005). Blue Ocean Strategy, Boston: Harvard Business School Press, 23-35.

Kotler, P. & D. Gertner (2002). Country as brand, product, and beyond: a place marketing and brand management perspective. Journal of Brand Management (9)4/5, 249-261.

Lau, R.S.M. (1996). Strategic flexibility: a new reality for world-class manufacturing. SAM Advanced Management Journal, 61(2), 11-16.

Lumpkin, G.T. and Dess, G.G. (1995). Simplicity as a strategy-making process: The effects of stage of organizational development and environment on performance. Academy of Management Journal, 38(5), 1386-1407.

Lohrke, F.T., Franklin, G.M., & Kothari, V.B. (1999). Top management international orientation and small business exporting performance: The moderating roles of export market and industry factors. Journal of Small Business Strategy, 10(1), 13-24.

Maruso, L.C. and Weinzimmer, L.G. (1999). Developing a normative framework to assess small-business entry strategies: A resource-based view. Journal of Small Business Strategy, 10(1), 1-12.

McCann, J.E., Leon-Guerrero, A.Y. and Haley, J.D. (2001). Strategic goals and practices of innovative family businesses. Journal of Small Business Management. 39(1), 50-59.

McGee, J.E. and Shook, C.L. (2000). Responding to industry consolidation in fragmented industries: The role of capabilities in small-business survival. Journal of Small Business Strategy, 11(2), 21-32.

Miles, R.E., and Snow, C.C. (1978). Organizational strategy, structure, and process. New York: McGraw-Hill.

Miller, D. (1988). Relating Porter's business strategies to environment and structure: analysis and performance implications. Academy of Management Journal, 31(2), 280-308.

Miller, D. and Chen, M-J. (1996). The simplicity of competitive repertoires: An empirical analysis. Strategic Management Journal, 17(6), 419-440.

Mintzberg, H. (1973). Strategy-making in three modes. California Management Review, 16, 44-53.

Orr, S. (1999). The role of quality management in manufacturing strategy: experiences from the Australian wine industry. Total Quality Management, 10(2), 272.

Poza, E.J. (1989). Smart growth: critical choices for business continuity and prosperity. San Francisco: Jossey-Bass.

Porter, M.E. (1980). Competitive strategy: techniques for analyzing industries and competitors. New York: Free Press.

Porter, M.E. (1990). The competitive advantage of nations, New York: Free Press.

Quinn, J. (1980). Strategies for change: logical incrementalism. Homewood, IL: Irwin.

Radford, J. (2005). Is Spain the new Australia? Wine Business Monthly, July,

Schulze, W.S., Lubatkin, M.H, and Dino, R.N. (2002). Altruism, agency, and the competitiveness of family businesses. Managerial and Decision Economics, 23, 247-259.

Scott, M., and Bruce, R. (1987). Five stages of growth in small business. Long Range Planning, 20(3), 45-52.

Slevin, D. and Covin, J.G. (1997). Strategy formation patterns, performance, and the significance of context. Journal of Management, 23, 189-212.

Steiner, M.P. and Solem, O. (1988). Factors for success in small manufacturing firms. Journal of Small Business Management, 26(1), 56.

Stevenson, H.H., Roberts, M., and Grousbeck, H. (1989). New business ventures and the entrepreneur. Homewood, IL: Irwin.

Stoeberl, P.A., Parker, G.E., and Joo, S.J. (1998). Relationship between organizational change and failure in the wine industry: An event history analysis. Journal of Management Studies, 35(4), 537-56.

Sainz Ochoa, A. (2002). Analysis of the explanatory factors of the business success: An application to the Spanish wine industry within the Appellation d'Origin Rioja. Unpublished doctoral dissertation, Universidad de la Rioja, Spain.

Suarez-Ortega, S. (2003). Export barriers: Insights from small and medium-sized businesses. International Small Business Journal, 21(4), 403.

Svendsen, Ann (1998). The stakeholder strategy: profiting from collaborative business relationships. San Francisco: Berett-Koehler

Swaminathan, A. (1995). The proliferation of specialist organizations in the American wine industry, 1941-1990. Administrative Science Quarterly, 40(4), 653-81.

Taylor, B., Gilinsky, A., Hilmi, A., Hahn, D., and Grab, U. (1990). Strategy and leadership in growth companies. Long Range Planning, 23(3), 66-75.

Upton, N., Teal, E.J. and Felan, J.T. (2001). Strategic and business planning practices of fast growth family businesses. Journal of Small Business Management. 39(1), 60-72.

Venkatraman, S. and Van de Ven, A.H. (1998). Hostile environmental jolts, transaction set, and new business. Journal of Business Venturing, 12, 231-255.

Ward, J.L. (1989). The special role of strategic planning for family businesses. Family Business Review, 1(2), 105-117.

Ward, J.L. (1997). Growing the family business: special challenges and best practices. Family Business Review, 10(4), 323-337.

Wheelen, T.L. & Hunger, J.D. (1986). Strategic management and business policy 2/e, Reading, MA: Addison Wesley, 10.

Wines & Vines. (1999). 1999 Directory & buyer's guide. 79:12-A. San Rafael, CA: The Hiaring Company.