

## **Behind the Australian wine industry success: Does environment matter?**

Rohan Jordan  
Colruyt Retail Group, Halle, Belgium

Pietro Zidda\*  
Centre for Research on Consumption and Leisure (CeRCLe) – Marketing Group  
University of Namur (FUNDP), Namur, Belgium

Larry Lockshin  
Wine Marketing Group – Ehrenberg-Bass Institute for Marketing Science  
University of South Australia, Adelaide, Australia

\* Send correspondence to Pietro Zidda, University of Namur, Faculty of Economics, Social Sciences and Business Administration, 8, Rempart de la Vierge, B-5000 Namur, Belgium; Phone: +32 (0)81 724883; Fax: +32 (0)81 724840; Email: [pietro.zidda@fundp.ac.be](mailto:pietro.zidda@fundp.ac.be).

## **Behind the Australian wine industry success: Does environment matter?**

### **Abstract**

The success of the Australian wine industry is well documented. However, there have been few comparative studies of the reasons for this success as compared to Australia's main competitors. Most of the anecdotal evidence and trade publications focus on 'value for money' and fruit-driven wines, without looking at how the Australian wine businesses operate. This paper investigates the external environment in France and Australia as one of the drivers for Australian wine sector success. In-depth interviews with two French and two Australian wineries led to a series of hypotheses about the role of market orientation, strategic orientation, innovative and entrepreneurial environment orientation, constraining legislation, industry infrastructure usage, industry plan support, and interorganizational collaboration as factors differentiating the two countries. An online survey of wineries in the two countries provided 82 French and 63 Australian responses. An analysis of variance revealed significant differences with Australian wineries higher in market orientation, growth strategy, export proactiveness, perceived innovative environment, perceived entrepreneurial environment, more interorganizational collaboration, and less perceived constraining legislation. These results not only provide some basis for Australia's success in wine exporting, but also add to the literature on the effect of the external environment on business performance.

*Keywords:* market orientation, strategic orientation, business performance, external environment

### **1. Introduction**

Long dominated by Western Europe, the world wine market has undergone significant changes over the last fifteen years. The arrival of the so-called 'New World' wine producers in the international marketplace in the early 1990s seems to symbolize the main revolution. Among these new players, Australia has been the most successful since the second half of the 1980s. Besides, in 1996, the Australian wine industry launched an ambitious strategic plan that inspired the Australian wine industry itself: the Strategic Plan 2025. In parallel, France has controlled the international wine market for decades and remains the world wine leader. However, since the breakthrough of these new competitors, France has been losing precious market share in the domestic market as well as in many export markets.

How has the Australian wine industry been able to achieve such a success in a very short time? In other words, what are the potential drivers of such a spectacular emergence? This paper deals with such an issue. To better understand the Australian phenomenon, we first made a literature review on the key determinants of business performance. While most studies primarily show the positive impact of internal-to-the-firm drivers such as market/marketing orientation and proactive strategic orientation on business performance, there is a lack of research on external or environmental drivers. Is there something special in the Australian environment that makes the life of domestic wine companies easier? Since it would be very complex to analyze the whole impact of environment, this paper focuses on two specific factors. The first one is the national wine legislation and the industry infrastructure that is offered to domestic wine companies in order to support them in promoting and exporting their wines. Interorganizational collaboration symbolizes the second factor. The topic of this paper is particularly interesting because it has not been investigated yet. Only a handful studies have analysed the impact of the environment on firm's success, but to the best of our knowledge,

very few have been conducted in the wine industry. In addition to studying the Australian case, we decided to study it relative to France, the traditional leader.

The organization of this paper is as follows. In Section 2, we present our hypotheses with respect to the potential drivers of success. These hypotheses about internal as well as external drivers were developed not only from theory but also from a set of case studies and qualitative in-depth interviews of experts in France and Australia. Section 3 describes the methodology of the study. In the next sections, we present our results and discuss our most important findings and their implications.

## **2. Hypotheses development**

In order to develop the following hypotheses, we extensively reviewed the literature on business performance, conducted a documentary research with respect to the wine industry, and performed four case studies and qualitative in-depth interviews of experts in France and Australia. The four case studies concerned two “small” and two “large” wine companies, a French and an Australian one in each group. According to the country, the size of a ‘large’ and a ‘small’ winery may vary, but the main thing was that each winery was typical of its country. Regarding the choice of the companies, both Australian wine firms come from the same region, namely the Barossa Valley, while the small French company comes from Burgundy and the large one comes from the Rhone Valley. Their managers were afterwards in-depth interviewed to appreciate their market and strategic orientation and to get their opinion about different aspects of their environment.

### *2.1. Internal drivers*

#### *2.1.1. Market/Marketing orientation (MO)*

Two main streams of research about the relationship between market orientation and business performance (BP) came out in the last decade: the ‘behavioral’ approach (Kohli & Jaworski, 1990) and the ‘cultural’ approach (Narver & Slater, 1990). While the first approach defines MO in terms of organizational behaviours: generation, dissemination and responsiveness to information; the second one defines it as the business culture that leads to increased performance by its commitment to creating superior value for customers. This culture includes values and beliefs that encourage permanent learning about current and potential needs of customers as well as capabilities and strategies of competitors. These values and beliefs also support cross-functionally coordinated action to create and exploit the learning (Kohli & Jaworski, 1990; Slater & Narver, 1995).

The impact of MO on BP has been a matter of significant research. According to Deshpandé & Farley (1999), MO has gained respect as a key predictor of BP and long-term success. In the first rigorous study of the effect of a MO on BP, Narver & Slater (1990) developed a measure of MO based on customer and competitor orientation, and cross-functional coordination. In a sample of organizations operating in a single industry, they found a positive relationship between MO and return on investment.

While a few studies demonstrate a negative or non-significant relationship (Grewal & Tansuhaj, 2001; Han, Kim & Srivastava, 1998), overwhelming studies described for instance in Cano, Carrillat & Jaramillo (2004) exhibit a positive relationship between MO and BP in different countries and in various industries having distinct organizational goals. In other words, market-oriented organizations seem to achieve better outcomes than do less market-oriented ones. According to Day (1999), the positive effects of MO on BP are explained by the superior ability of market-oriented firms to understand markets –notably by perceiving

new opportunities and anticipating competitor's actions– and to attract and keep customers – especially by delivering superior value and encouraging loyalty.

Because Australian wine history is much more recent than French wine history, Australian wineries are expected to be less traditional and more market/marketing oriented than their French competitors who focus more on the product than on the market, which is confirmed through the four case studies. For instance, both French wine producers claimed to not pay attention to the consumer and produce wine according to their own vision. We thus hypothesize that:

*H.1.* Australian wine companies are more market/marketing oriented than French wine companies.

#### *2.1.2. Strategic orientation (SO)*

The strategic orientation of a firm can be defined as the way the firm uses strategy to adapt and/or change aspects of its environment for a more favourable alignment (Manu & Sriram, 1996). Since it serves firms to continuously improve their performance (Gatignon & Xuereb, 1997), SO is fundamental to achieve managerial success (Evered, 1983). In theory (Collins & Moore, 1970; Miles & Snow, 1978; Mintzberg, 1973), there is a continuum of organizations: from organizations guided by well developed strategies –proactive firms– that have a long-term perspective and aggressively pursue opportunities; to organizations with less well developed strategies –reactive firms– that are more influenced by management intuition and unplanned reactions to unanticipated events. According to Hrebiniak (1978), all organizations are and need to be reactive since they have to solve short-term problems before achieving long-term goals. Therefore, managers can not be exclusively proactive, or reactive. However, they have a general propensity towards one orientation or the other.

By testing the influence of reactive and proactive strategic orientations on export success, Wood & Robertson (1997) found that the firm's export success is more associated with a proactive strategic orientation and less associated with a reactive-problem solving strategic orientation. All firms are not exclusively reactive or proactive, but those which tend to be more proactive and less reactive have greater levels of export success. The most successful exporting organizations are those which perceive that they can affect their destiny through assertive and systematic analysis of both threats and opportunities, while organizations motivated to engage in exporting for more reactive reasons, such as a saturated domestic market, declining domestic sales, competitive pressures and overproduction present relatively poorer export performance.

Contrary to the French wine industry that currently seems to follow and react to the market, the Australian wine industry gives the impression that it anticipates market evolution and tries to be ahead of its competitors, notably in exporting activities. Whereas France looks rather problem-oriented, Australia appears to be opportunity-oriented and able to control its destiny. Therefore, Australian wine companies are expected to be more proactive in their strategic orientation than French wine companies. Besides, the greater proactiveness of Australian wine firms compared to French firms would be consistent with their greater marketing orientation since both factors are closely linked. We thus hypothesize that:

*H.2.* Australian wine companies are more “proactive” in their strategic orientation than French wine companies. (*H.2a.*) Australian wine companies have more of a growth strategy. whereas (*H.2b.*) French companies have more of a maintain/stability strategy than their Australian counterparts; (*H.2c.*) Australian wine companies are more “proactive” with respect to export whereas (*H.2d.*) French wine companies tend to be more “reactive” with respect to export than their Australian counterparts.

## 2.2. External drivers

In their study about the relationship between export performance and business performance, Thirkell & Dau (1998) focused on the firm's internal influences. However, their conceptual framework adapted from Aaby & Slater's (1989) general model, clearly includes environment as a driver of firms' export performance. Nonetheless, only a handful of studies have examined the impact of environment on business performance, likely because environment is a very large concept that embodies a large number of different areas.

### 2.2.1. Innovative and entrepreneurial environment

Based on in-depth interviews of French and Australian wine experts, it appears that French experts deplore the lack of entrepreneurship in France, which does not encourage young French winemakers to produce wine in their own country. This matches with the picture of the French businessman described by Torres (2005) as the 'good father' who contents himself with his current assets and takes little risk. The differences that seem to emerge between French and Australian wine companies regarding their strategic orientation –proactive *versus* reactive- and their management orientation –marketing *versus* product– could thus be the result of a contrast between two cultures: French culture, on the one hand, strongly oriented towards past, heritage, and traditions; and Australian culture, on the other hand, much younger, innovative, and oriented towards the future. We thus hypothesize that:

*H.3.* Compared to French wine companies, (*H.3a.*) Australian wine companies perceive their environment as more innovative and (*H.3b.*) more entrepreneurial.

### 2.2.2. Legal environment

Through the documentary research that has been conducted on national wine legislation in both countries, Australian wine legislation –the Geographic Indications system– is clearly simpler and more permissive than French wine legislation, mainly symbolized by its A.O.C. system. For instance, contrary to French winemakers, Australian winemakers are allowed to use any grape variety in every Australian wine area, to irrigate their vines whenever it is necessary, and also to use wood shavings instead of oak for wine ageing. As stressed by French and Australian wine experts interviewed for this study, French wine legislation seems to be a good way of guaranteeing French wine quality and preserving the French 'terroir' notion. French winegrowers have to satisfy several scrupulous conditions in terms of viticultural and winemaking practices to benefit from the AOC label. Nonetheless, the unwanted effect is it prevents French winegrowers from being free and innovative. We thus hypothesize that:

*H.4.* Australian wine companies consider their national wine legislation to be less strict than their French counterparts, which gives them a perceived advantage.

### 2.2.3. Industry infrastructure usage and satisfaction

Compared with France, the Australian wine industry structure is much simpler in terms of the number of organizations and connections between those organizations. French wine associations give the impression that they work separately and each have an incomplete view of the national wine market. Conversely, through many partnerships between government bodies such as the AWBC –Australian Wine & Brandy Corporation– and wine industry associations such as the WFA –Winemakers' Federation of Australia– Australian wine industry bodies seem to collaborate on a regular basis and have a unified approach. Moreover, notably through the AWRI –Australian Wine Research Institute– there is a vision "to cement

a position as the world's premier wine research institute". Australian wine industry bodies suggest that they are more proactive and ambitious than French wine industry organizations.

From the interviews, there also emerged a substantial difference between French and Australian wine companies pertaining to the way they consider the infrastructure offered by their national wine industry to promote and export their wines. Contrary to French wine producers who very often do not use the infrastructure that is offered by the French wine industry and think that French wine companies are not supported enough by their national wine industry, Australian wine producers are very involved in, and satisfied with the different wine industry programs designed to support them in promoting and exporting Australian wines. We thus hypothesize that:

*H.5.* Australian wine companies more often use and are more satisfied than French wine companies with the support offered by the their national industry for wine promotion and exports.

#### *2.2.4. Industry plan as a support to wine companies*

Based on the documentary research on Australian and French strategic plans, the common point between the 'Marketing Decade' and the 'Plan stratégique 2010, le défi des vins français' is the focus on marketing. However, their purposes are different. According to Berthomeau's report, the French wine industry is suffering from a great lack of marketing orientation. French wine producers thus need to develop marketing strategies and strong brands. They also have to listen to the voice of consumers instead of believing that French wines are the best wines in the world and for that reason they will be sold on their own. By contrast, Australian wine companies are already very familiar with marketing and are renowned for their focus on "wine brand Australia". Yet, the Australian wine industry feels the need to go further into that approach because: "the next decade demands a more fully articulated marketing strategy", hence the name of 'Marketing Decade' for the Australian strategic plan. This willingness to anticipate and keep expanding could be a sign of the greater proactiveness of the Australian wine industry compared to the French wine industry. As with marketing, collaboration is highlighted in both strategic plans, but once again the Australian wine industry seems to benefit from a good collaborative spirit while French wine industry is currently divided into local quarrels that prevent French wine producers from working together.

On the basis of wine expert interviews, unlike French producers, Australian winemakers have a good knowledge of, are very satisfied with, and implement the strategic plan designed for their national wine industry. We thus hypothesize that:

*H.6.* Australian wine companies use to a greater extent than French wine companies the strategic plan designed for their national wine industry.

#### *2.2.5. Interorganizational collaboration*

While there is a lack of research on the impact of industry infrastructure and legislation on business performance, there is an increasing literature (Gebrekidan & Awuah, 2002; Ritter & Gemunden, 2003; Telfer, 2001; Williams, 2005b) on collaboration between firms. Also called interorganizational networks, strategic alliances, partnerships, and joint ventures to name but a few, collaboration symbolizes groups of at least two legally separate companies voluntarily connected with each other through formal or informal agreements, and with a common business goal (Gebrekidan & Awuah, 2002; Telfer, 2001; Williams, 2005b). According to Williams (2005b), alliances with other organizations are becoming increasingly important in the strategies through which organizations attempt to secure competitive advantages.

Williams (2005b) argues that in cooperative relations, all parties can gain, whereas in competitive relations the relevant goals of different parties can not be satisfied simultaneously. Gebrekidan & Awuah (2002) suggest that interorganizational cooperation is stimulated by the increased recognition of the fact that no firm or organization has all the 'capabilities', e.g., resources and activities, needed for it to achieve its goals or objectives in the marketplace. By pooling their resources and strengths together, collaborating companies often achieve a success that may be impossible for each to achieve if the parties were to work separately (Gebrekidan & Awuah, 2002). The advantages for firms to work together notably consist of reducing costs and risks, as well as getting a global presence and expanding their markets. In a survey over 345 strategic alliances conducted from 1983 to 1992, Su, Kensinger, Keown & Martin (1997) found that cooperative firms achieved better performance than the single working companies in the same industry. As expected, collaboration between firms can thus improve business performance.

According to Jolley (2002), from the Centre for Strategic Economic Studies, at Victoria University in Melbourne: "The Australian wine industry has developed a set of collaborative arrangements designed to assist it in achieving ambitious goals for industry growth based on market competitiveness, quality of production, technological innovation, and the development and nurturing of an internationally recognizable 'brand Australia' as a marketing flag-bearer for Australian wines. Industry associations have provided the context within which collaboration germinated. Collaboration extended progressively from exporting to research and development, culminating in the publication in 1996 of Strategy 2025. This was the critical step, introducing a vision of the industry's potential. The Strategy provided a focus for collaborative activity in relation to domestic marketing, export development and research and development". In April 2005, Jonathan Scott, General Manager of the Australian Wine Export Council, declared that: "the Australian industry's collaboration was a key to export success" (Williams, 2005a).

Both French wine producers interviewed in the context of this study declare that there is a lot of individualism in France and that wine companies rarely collaborate with each other because everybody defends his own interests. By contrast, both Australian wineries confirmed that collaboration is of paramount importance in the Australian wine industry and is much more applied than in any other wine industries in the world. We thus hypothesize that:

*H.7. Australian wine companies collaborate more with each other than do French wine companies.*

### **3. Methodology**

In order to collect the data, we surveyed Australian as well French wineries by means of an online questionnaire. Owners or top managers were sent an email with a hyperlink to access the questionnaire. We thus avoided the usual problems encountered with attached files that is inability to read the document due to software incompatibility, increased effort for fill-in and sending back the questionnaire, etc. (Gianelloni & Vernet, 2001). Though very efficient, online surveys generally suffer from coverage and non representative biases. According to Winebiz, the official Australian wine business website, 90% of Australian wine companies list an e-mail address, but only 37% of the 3300 French winegrowers surveyed in 2000 by ASK Business Marketing Intelligence were fitted out with a personal computer and among them only 25% were using the Internet in a professional context. However, the number of Internet connections has dramatically increased since then. From various sources such as regional committees, associations, reports and other newspaper articles, we have estimated that 70 to 75% of French wineries were reachable by email by the time of the survey. Given



that companies using the Internet tend to be younger, more comfortably off and thus more dynamic than companies that are not using the Internet (Giannelloni & Vernet, 2001), the least 'proactive' firms have probably been automatically eliminated from the survey. Consequently, if differences are observed between French and Australian wine companies, these are likely to be even stronger in the whole industry and not only in the context of this survey.

In total, 1,511 emails were sent to French and Australian firms, with respectively 684 emails in France and 827 in Australia. Australian firms were randomly selected from the Australian and New Zealand Wine Industry Directory, which lists the 1,899 existing Australian wineries. As far as France is concerned, building the sampling frame was much more tricky since no exhaustive directory of the approximately 100,000 wine companies exists. Given the multiple barriers to random sampling techniques, we thus drew a non-probability sample of the French population of wineries.

Managers were first questioned about their company's profile (family-owned or not, size in terms of production and employees, variety of wines that are produced, production areas, etc.). We then measured on five-point Likert scales (agreement scale from 1: "Totally disagree" to 5: "Totally agree"), the various constructs and variables described in the previous section using a set of items either proposed in the literature, or developed or adapted for the purpose of this study (the measures are available from the corresponding author). Given the length of the questionnaire, we decided to limit the number of items per construct. Six items concerned the company's marketing orientation as perceived by top managers through its three behavioural components, that is customer orientation, competitor orientation and cross-functional coordination (Bearden & Netemeyer, 1999; Deshpandé and Farley, 1996; Narver & Slater, 1990). Eight items concerned firms' strategic orientation, that is six for growth strategy and two for maintain/stability strategy (Wood & Robertson, 1997; Doyle, 2002; Doyle & Hooley, 1992). Four items were used to assess the proactiveness/reactiveness of companies in exporting activities. External drivers were examined with most questions in the form of a range of assertions (either an agreement scale or a frequency scale from 1: "Never" to 5: "Very often"). Two items concerned Australian/French managers' perceptions of their environment with respect to innovation and entrepreneurship. Two items focused on wine legislation through its flexibility compared to other countries' wine legislation and its advantage for national wine producers compared to their foreign colleagues. The industry infrastructure usage and satisfaction were measured on a 5-point frequency scale and on a 5-point agreement scale, respectively. Managers were also asked to choose among several options the industry bodies whose infrastructure they use –from a national and regional point of view. The strategic plan was tackled with three questions in order to evaluate the degree to which Australian/French wine companies know, use and are satisfied with it. After indicating the degree to which companies agree with the importance of collaboration between wineries, they had to indicate the degree to which they effectively collaborate with other companies as well as the number of wineries they generally collaborate with, the kind of collaboration (formal or informal and direct or indirect) and the areas of collaboration. Finally, companies were asked to position their performance among the other wine companies from their region, using a 5-point scale from "much less successful than" to "much more successful than".

After discarding incomplete questionnaires, our sample was finally composed of 82 French and 63 Australian wine companies. All responses considered, the response rate was around 18.4% and 8.3% in France and Australia, respectively. Since the survey was web-based, targeted to top managers, quite long and occurred during the holiday time for many companies, the rate of response for both countries is satisfying. In addition, according to Australian wine experts, Australian wineries have been over-surveyed these last years.

Table 1 shows some sample distributions with respect to main production area, age, total production and number of employees.

Table 1  
 Sample characteristics

(a) Sample distribution with respect to main production area								
Australia			France					
	#	%		#	%		#	%
New South Wales	9	14.3%	Alsace	11	13.4%	Loire	3	3.7%
Queensland	1	1.6%	Beaujolais	3	3.7%	Provence	1	1.2%
South Australia	26	41.3%	Bordeaux	16	19.5%	Rhône	7	8.5%
Tasmania	4	6.3%	Bourgogne	17	20.7%	Savoie	0	0.0%
Victoria	12	19.0%	Champagne	8	9.8%	Sud-Ouest	3	3.7%
Western Australia	11	17.5%	Jura	5	6.1%	Other	0	0.0%
			Languedoc-					
Northen Territory	0	0.0%	Roussillon	8	9.8%			
Total	63	100.0%					82	100.0%

(b) Sample distribution with respect to wineries age				
	Australia		France	
	#	%	#	%
less than 25 years	41	65.1%	26	31.7%
between 25 and 49 years	14	22.2%	22	26.8%
between 50 and 74 years	0	0.0%	8	9.8%
between 75 and 99 years	1	1.6%	9	11.0%
more than or equal to 100 years	7	11.1%	17	20.7%
Total	63	100.0%	82	100.0%

(c) Sample distribution with respect to total production (in bottles)				
	Australia		France	
	#	%	#	%
less than 60,000	19	30.2%	20	24.4%
between 60,000 and 119,999	11	17.5%	23	28.0%
between 120,000 and 299,999	8	12.7%	18	22.0%
between 300,000 and 599,999	10	15.9%	8	9.8%
between 600,000 and 1,199,999	2	3.2%	4	4.9%
between 1,200,000 and 2,999,999	4	6.3%	3	3.7%
between 3,000,000 and 5,999,999	1	1.6%	2	2.4%
between 6,000,000 and 11,999,999	2	3.2%	4	4.9%
more than or equal to 12,000,000	6	9.5%	0	0.0%
Total	63	100.0%	82	100.0%

(d) Sample distribution with respect to number of employees				
	Australia		France	
	#	%	#	%
less than 10	35	55.6%	61	74.4%
between 10 and 19	14	22.2%	12	14.6%
between 20 and 49	4	6.3%	6	7.3%
between 50 and 99	4	6.3%	3	3.7%
more than or equal to 100	6	9.5%	0	0.0%
Total	63	100.0%	82	100.0%

According to Table 1, Australian wineries are younger and larger than those in the French sample. In order to appraise the relative representativeness of both samples, we compared the sample distribution of wineries with respect to companies' size (production) and region to population distributions. Based on the last figures of the Australian & New Zealand Wine

Industry Directory, it appears that our Australian sample overweighs South Australian wineries and under weighs New South Wales and Victoria wine areas, both in terms of the number of wineries and total production. The fact that a lot of Australian wineries in the sample come from South Australia is probably due to the support of the University of South Australia for this project. As far as France is concerned, the comparison is slightly more complex given wineries' various status or definitions and the delimitation of geographical unit for data aggregation (e.g., Bordeaux versus Aquitaine, Midi-Pyrénées vs. Sud-Ouest). Taking this into account, the French sample tends to overweight areas such as Burgundy and Alsace and to a lesser extent Bordeaux and Jura, and to underweight southern areas (Languedoc-Roussillon, Provence and Sud-Ouest). Compared to the real geographical scattering of French wine companies, this sample could be more representative of the French wine industry. However, these discrepancies are lessened by the fact that though southern regions are significant wine regions in terms of volumes and number of companies, this is largely due to cooperatives that are dominant in those regions. Finally, by comparing average companies' size with respect to total production, it seems that larger wineries are slightly over-represented in both Australian and French samples.

As far as the statistical analyses are concerned, we first ran factor analyses to check the dimensionality of our concepts as well as scale internal consistency analyses using the Cronbach's alpha. The hypotheses were then tested using a series of analyses of variance for unbalanced groups using the GLM approach. Given that the two samples were not equally distributed with respect to age (older wineries in France) and size (bigger wineries in Australia), these two moderating factors were controlled in each ANOVA as main effects as well as interaction with country effects.

#### **4. Results**

In order to test our hypotheses, we thus analyzed the differences among the various variables between Australia and France. The result of ANOVAs as well as Cronbach's alphas are shown in Table 2. Table 3 shows the mean scores for the different groups. Only two of the interactions between country and size and country and age of the winery were significant, so we report only those two results. All the others were tested, but results are not shown.

##### *4.1. Market orientation (H.1.)*

Our first hypothesis states that Australian wine companies are more market oriented than their French counterparts, i.e. more customer-oriented, competitor-oriented and cross-functionally coordinated. The six-item scale for market orientation shows a .75 Cronbach's alpha, which is greater than the 0.60-threshold required. It clearly appears from Table 2 that the effect of country is significant ( $F=36.97$ ,  $p<0.001$ ). In other words, as shown by Table 3, Australian wine companies are more market oriented than French wine companies (mean scores equal to 3.84 and 3.09, respectively), whatever their size and age. These results thus support hypothesis H.1.

##### *4.2. Strategic orientation (H.2a. to H.2d.)*

The set of hypotheses H.2a. to H.2d. postulate that Australian wine companies are more "proactive" in their strategic orientation than French wine companies, that is they favour growth and export strategies. Australian wine companies tend to focus on growth strategies ( $F=10.90$ ,  $p<0.001$ ) whereas stability characterizes French companies ( $F=4.18$ ,  $p=0.043$ ). As far as export orientation is concerned, country alone does not enable us to distinguish either

between reactive or proactive firms. Larger firms ( $F=9.21$ ,  $p=0.003$ ) and younger firms ( $F=4.11$ ,  $p=0.045$ ) are in general more proactive with respect to export. However, larger Australian firms do appear to be more proactive than larger French companies ( $F=5.31$ ,  $p=0.023$ ). These results thus fully support our hypotheses concerning generic strategies (H.2a. and H.2b.) but partially support our hypotheses about export strategies (H.2c. and H.2d.).

Table 2  
 Results of the ANOVAs

		SS	DF	MS	F	Sig of F
<b>H1 MARKET-ORIENTATION</b> (6 items; $\alpha$ -Cronbach=0.75)	MODEL	21.37	5	4.27	11.64	0.000
	RESIDUAL	51.06	139	0.37		
	COUNTRY	13.58	1	13.58	36.97	0.000
	SIZE	1.18	1	1.18	3.21	0.075
	AGE	0.08	1	0.08	0.22	0.639
<b>H2a GROWTH STRATEGY</b> (6 items; $\alpha$ -Cronbach=0.82)	MODEL	13.15	5	2.63	4.84	0.000
	RESIDUAL	75.48	139	0.54		
	COUNTRY	5.92	1	5.92	10.90	0.001
	SIZE	3.45	1	3.45	6.34	0.013
	AGE	0.21	1	0.21	0.38	0.538
<b>H2b MAINTAIN STRATEGY</b> (2 items; $\alpha$ -Cronbach=0.68)	MODEL	5.26	5	1.05	2.08	0.071
	RESIDUAL	70.23	139	0.51		
	COUNTRY	2.11	1	2.11	4.18	0.043
	SIZE	0.24	1	0.24	0.47	0.493
	AGE	0.24	1	0.24	0.47	0.496
<b>H2c EXPORT PROACTIVENESS</b> (2 items; $\alpha$ -Cronbach=0.65)	MODEL	10.50	5	2.10	4.00	0.002
	RESIDUAL	72.95	139	0.52		
	COUNTRY	1.39	1	1.39	2.65	0.106
	SIZE	4.83	1	4.83	9.21	0.003
	AGE	2.16	1	2.16	4.11	0.045
	COUNTRY * SIZE	2.79	1	2.79	5.31	0.023
<b>H2d EXPORT REACTIVENESS</b> (2 items; $\alpha$ -Cronbach=0.66)	MODEL	10.68	5	2.14	1.99	0.084
	RESIDUAL	149.07	139	1.07		
	COUNTRY	1.02	1	1.02	0.95	0.331
	SIZE	5.31	1	5.31	4.95	0.028
	AGE	2.03	1	2.03	1.90	0.171
	COUNTRY * AGE	4.52	1	4.52	4.22	0.042
<b>H3a INNOVATIVE ENVIRONMENT</b> (1 item)	MODEL	63.63	5	12.73	14.15	0.000
	RESIDUAL	125.03	139	0.90		
	COUNTRY	41.78	1	41.78	46.45	0.000
	SIZE	5.06	1	5.06	5.62	0.019
	AGE	0.33	1	0.33	0.37	0.544
<b>H3b ENTREPRENEURIAL ENVIRONMENT</b> (1 item)	MODEL	56.77	5	11.35	13.54	0.000
	RESIDUAL	116.58	139	0.84		
	COUNTRY	42.00	1	42.00	50.08	0.000
	SIZE	2.77	1	2.77	3.31	0.071
	AGE	0.28	1	0.28	0.33	0.566

Table 2 continued		SS	DF	MS	F	Sig of F
<b>H4 CONSTRAINING LEGISLATION</b> (2 items; $\alpha$ -Cronbach=0.84)	MODEL	162.83	5	32.57	50.45	0.000
	RESIDUAL	89.73	139	0.65		
	COUNTRY	120.23	1	120.23	186.26	0.000
	SIZE	0.24	1	0.24	0.37	0.542
	AGE	0.24	1.00	0.24	0.37	0.546
<b>H5 INFRASTRUCTURE USAGE</b> (1 item)	MODEL	40.89	5	8.18	8.90	0.000
	RESIDUAL	127.77	139	0.92		
	COUNTRY	12.71	1	12.71	13.83	0.000
	SIZE	12.49	1	12.49	13.59	0.000
	AGE	0.41	1	0.41	0.44	0.506
<b>H6 INDUSTRY PLAN USAGE</b> (1 item)	MODEL	35.27	5	7.05	7.73	0.000
	RESIDUAL	126.84	139	0.91		
	COUNTRY	26.39	1	26.39	28.92	0.000
	SIZE	1.28	1	1.28	1.41	0.238
	AGE	0.78	1	0.78	0.86	0.356
<b>H7 INTERORGANIZATIONAL COLLABORATION</b> (1 item)	MODEL	11.04	5	2.21	1.67	0.146
	RESIDUAL	183.90	139	1.32		
	COUNTRY	7.57	1	7.57	5.72	0.018
	SIZE	0.39	1	0.39	0.29	0.590
	AGE	0.01	1	0.01	0.00	0.949

#### 4.3. Innovative and entrepreneurial environment orientation (H.3a.,H.3b.)

Australian managers perceive their environment as favouring innovation rather than the respect of tradition, contrary to French managers ( $F=46.45$ ,  $p<0.001$ ). In addition, entrepreneurship seems to better characterize the Australian wine environment than the French one ( $F=50.08$ ,  $p<0.001$ ). As a result, this supports hypotheses H.3a. and H.3b.

#### 4.4. Constraining legislation (H.4.)

Australian winemakers do not seem to perceive their wine legislation as a constraint contrary to their French counterparts who see theirs as very strict (2.35 vs. 4.48;  $F = 186.26$ ,  $p<0.001$ ). Australian producers even consider their legislation as an advantage compared to their foreign colleagues. Australian firms' mean score for the item "If I were able to produce exactly the same quality of wine that I do currently, but in another wine producing country rather than in Australia (France), then I would be more successful from an economic point of view (example sales and exports)" is 2.6 against 3.9 for French companies ( $F=48.63$ ,  $p<0.001$ ). These results support the hypothesis H.4.

#### 4.5. Industry infrastructure usage (H.5.)

Compared to French wine companies, Australian wine companies more often use the infrastructure offered by their national wine industry for wine promotions and exports ( $F=13.83$ ,  $p<0.001$ ). The mean scores on a 5-point scale ranging from "never" (1) to "very often" (5) are 3.33 and 3.48, for Australian and French companies, respectively. 3% of Australian wineries indicated that they never use their industry infrastructure against 21% for French wineries.

Table 3  
 Mean scores for the different groups (main effects and interactions) <sup>a</sup>

Variable Group	COUNTRY		SIZE <sup>b</sup>		AGE		COUNTRY * SIZE				COUNTRY * AGE			
					< 25	≥ 25	Australia		France		Australia		France	
	Australia	France	Small	Medium to large	years	years	Small	Medium to large	Small	Medium to large	< 25 years	≥ 25 years	< 25 years	≥ 25 years
Group Size	63	82	99	46	67	78	38	25	61	21	41	22	26	56
Market Orientation	3.84 (0.56)	3.09 (0.64)	3.32 (0.72)	3.63 (0.65)	3.55 (0.69)	3.31 (0.71)	3.75 (0.57)	3.98 (0.53)	3.05 (0.67)	3.20 (0.52)	3.82 (0.56)	3.88 (0.57)	3.12 (0.67)	3.08 (0.63)
Growth Strategy	3.65 (0.78)	3.15 (0.72)	3.24 (0.80)	3.63 (0.69)	3.43 (0.83)	3.31 (0.74)	3.49 (0.84)	3.89 (0.61)	3.08 (0.74)	3.33 (0.66)	3.67 (0.75)	3.60 (0.83)	3.05 (0.82)	3.19 (0.68)
Maintain Strategy	3.89 (0.80)	4.21 (0.63)	4.05 (0.77)	4.12 (0.61)	3.96 (0.85)	4.17 (0.58)	3.79 (0.87)	4.04 (0.66)	4.21 (0.66)	4.21 (0.54)	3.79 (0.89)	4.07 (0.56)	4.23 (0.71)	4.21 (0.59)
Export Proactiveness	4.05 (0.79)	3.78 (0.72)	3.78 (0.76)	4.14 (0.70)	4.01 (0.70)	3.80 (0.80)	3.80 (0.83)	4.42 (0.57)	3.77 (0.73)	3.81 (0.72)	4.07 (0.77)	4.00 (0.85)	3.90 (0.57)	3.72 (0.78)
Export Reactiveness	2.64 (1.15)	2.49 (0.98)	2.66 (1.04)	2.35 (1.06)	2.54 (1.06)	2.57 (1.05)	2.83 (1.18)	2.36 (1.06)	2.55 (0.94)	2.33 (1.09)	2.50 (1.18)	2.91 (1.05)	2.62 (0.85)	2.44 (1.03)
Innovative Environment	3.56 (1.04)	2.30 (0.90)	2.93 (1.12)	2.67 (1.19)	3.18 (1.19)	2.56 (1.03)	3.79 (0.84)	3.20 (1.22)	2.39 (0.92)	2.05 (0.80)	3.71 (1.01)	3.27 (1.08)	2.35 (0.98)	2.29 (0.87)
Entrepreneurial Environment	4.32 (0.76)	3.12 (1.04)	3.47 (1.11)	4.00 (0.99)	3.75 (1.20)	3.55 (1.00)	4.13 (0.84)	4.60 (0.50)	3.07 (1.06)	3.29 (0.96)	4.29 (0.84)	4.36 (0.58)	2.88 (1.18)	3.23 (0.95)
Constraining Legislation	2.35 (0.97)	4.48 (0.63)	3.70 (1.32)	3.24 (1.30)	3.23 (1.39)	3.83 (1.21)	2.38 (1.02)	2.30 (0.91)	4.52 (0.64)	4.36 (0.62)	2.40 (1.04)	2.25 (0.83)	4.54 (0.65)	4.46 (0.63)
Infrastructure usage	3.33 (0.98)	2.48 (1.01)	2.61 (1.03)	3.37 (1.02)	2.97 (1.07)	2.74 (1.09)	3.08 (0.91)	3.72 (0.98)	2.31 (0.99)	2.95 (0.92)	3.22 (1.04)	3.55 (0.86)	2.58 (1.03)	2.43 (1.01)
Industry plan support	2.86 (1.06)	1.93 (0.87)	2.20 (1.06)	2.61 (1.02)	2.37 (1.15)	2.29 (0.98)	2.74 (1.11)	3.04 (0.98)	1.87 (0.88)	2.10 (0.83)	2.83 (1.14)	2.91 (0.92)	1.65 (0.75)	2.05 (0.90)
Interorganizational collaboration	3.49 (1.12)	3.01 (1.16)	3.16 (1.12)	3.35 (1.25)	3.30 (1.13)	3.15 (1.20)	3.34 (0.99)	3.72 (1.28)	3.05 (1.19)	2.90 (1.09)	3.41 (1.12)	3.64 (1.14)	3.12 (1.14)	2.96 (1.17)

<sup>a</sup> Standard deviations in parentheses.

<sup>b</sup> Small companies produce less than 300,000 bottles per year.

If we consider the level of satisfaction towards their infrastructure measured on a 5-point scale from “not satisfied at all” (1) to “totally satisfied” (5), it appears that Australian firms are more satisfied than are French firms (3.49 vs. 2.46;  $F=23.26$ ,  $p<0.001$ ) even though we only consider firms that effectively use their infrastructure (3.52 vs. 2.75;  $F=20.68$ ,  $p<0.001$ ). These results support hypothesis H.5.

#### 4.6. *Industry plan support (H.6.)*

The sixth hypothesis poses that compared with French wine companies, Australian wine companies use the strategic plan designed for their national wine industry to a greater extent. Although wine companies from both countries do not agree with the statement: “I am regularly inspired by the ‘Plan stratégique 2010, le défi des vins français’ or ‘Marketing Decade Plan’ for the management of my company”, the average for France is much lower than the average for Australia, with respectively 1.93 and 2.86 ( $F=28.92$ ,  $p<0.001$ ). As far as knowledge is concerned, 43% of surveyed Australian firms do agree (“somewhat agree” and “totally agree”) with the statement “I have a very good knowledge of the ‘Marketing Decade Plan’ for the Australian wine industry” whereas only 12% of surveyed French companies do agree with respect to their own plan (mean scores are 3.21 and 2.17 for Australia and France, respectively;  $F=20.12$ ,  $p<0.001$ ). Two other significant effects are worth mentioning: firm size and interaction between country and age. Larger firms have in general a better knowledge of their industry plan (3.02 against 2.43 for smaller firms;  $F=4.56$ ,  $p=0.035$ ). In addition, young Australian firms (less than 25 years) know their plan better than French young wine companies (3.32 against 1.85 for smaller firms;  $F=4.45$ ,  $p=0.038$ ). Regarding companies’ satisfaction towards their national strategic plan, 32% of Australian firms are satisfied (the highest two levels of the scale) against 5% of French companies (mean scores are 3.22 and 2.47 for Australia and France, respectively;  $F=17.66$ ,  $p<0.001$ ). Exactly the same picture emerges from the data if we restrict our analysis to firms which know the plan to some extent, even slightly. To summarize, even though mean scores are not very high, compared to French wine companies, Australian ones have a better knowledge of, use more and are more satisfied with the strategic plan for their national wine industry. These results support hypothesis H.6.

#### 4.7. *Interorganizational collaboration (H.7.)*

The seventh and last hypothesis concerns the extent to which wine companies collaborate with each other. Australian firms tend to collaborate slightly more often with other companies than do their French counterparts (mean scores on a 5-point frequency scale from “never” to “very often” are 3.49 and 3.01 for Australia and France, respectively;  $F=5.72$ ,  $p=0.018$ ). Indeed, 54% of Australian wineries indicate that they often/very often collaborate with others against 33% of French wineries.<sup>1</sup> We also asked managers their opinion of the following assertion: “Collaboration between wine companies from the same region or from the same country is important”. In both countries, most managers do agree with the statement (89% and 72% of Australian and French firms, respectively). If we restrict our analysis to firms which collaborate to some extent, even slightly, 93% of Australian firms consider interorganizational collaboration as important against 73% of French wineries.

Among the companies that collaborate to some extent (85% in France and 94% in Australia), 73% of French and 49% of Australian wine companies collaborate with a small number of wineries, that is between 1 and 4. While 17% of French and 34% of Australian wine companies collaborate with 5 to 9 companies, only 10% of French and 17% of

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<sup>1</sup> Only 2 companies out of 63 (3.2%) in Australia and 3 out of 82 (3.7%) in France are members of a cooperative.

Australian wine companies collaborate with at least 10 other companies. Australian wine companies thus tend to collaborate with a higher number of companies than do their French colleagues ( $\chi_o=7.69$ ,  $p=0.021$ ). In France, the overwhelming majority of wine companies (97%) apply an informal collaboration, in other words an unofficial, friendly, or spontaneous collaboration, against 79.3% in Australia. Therefore, only 3% of collaboration among French wine companies is formal, that is to say based on agreements, against 20.7% in Australia. Moreover, 75% of collaboration between French wine companies is symbolized by direct collaboration –from firm(s) to firm(s)– against 84% in Australia. Consequently, only 25% of collaboration between French wine companies is indirect –through an intermediary, a third party organization– against 16% in Australia, which confirms the fact that most cooperative activities are informal. The three main collaborative areas in France are logistic support, like lending of machines (65%); promotion, like same wine tasting stand in a trade fair (60%); and production (50%). In Australia, the key collaborative areas are promotion (76%), exchange of information about the market or about the competitors (60%); and logistic support (55%). This thus strengthens the idea that Australian wine companies are more marketing oriented than French companies.

Hence, in addition to being more convinced than their French competitors that inter-organizational collaboration is important, Australian wine companies effectively collaborate more often and with more companies. Therefore, these results support H.7.

## 5. Discussion and conclusion

As suggested through the literature review, the documentary research and the four case studies carried out in France and in Australia, the online survey confirms that Australian wine companies are significantly more market/marketing oriented and more proactive in their strategic orientation than their French counterparts. More specifically, in addition to be more customer-oriented, more competitor-oriented, and more cross-functionally coordinated, Australian wine companies tend to focus on growth strategies whereas stability characterizes French companies. The Australian proactiveness certainly explains part of the dramatic increase in Australian wine production and exports over the last fifteen years. Yet, this Australian willingness to grow against the relative immobility of France is not very surprising as Australia is still a young wine producing nation in comparison with France.

The key finding of this study is the fact that Australian wine companies benefit from a better environment than wine companies in France. While the French wine industry looks complex and divided, the Australian wine industry gives the impression of being simpler and more cohesive. Compared to French wine companies, Australian wine companies perceive their environment to be more innovative and entrepreneurial. Furthermore, contrary to French wine legislation, Australian wine legislation is perceived by national wine producers as simple and permissive, which allow them to be innovative and proactive. Australian wine companies also use more and are more satisfied than their French counterparts with their industry strategic plan as well as the infrastructure offered by their wine industry in order to support them for wine promotion and exports. Besides, unlike French wine producers, Australian winemakers do not think that they would be economically more successful by producing wine in another country. Last but not least, Australian wine companies collaborate with other wine companies to a greater extent than do French wine companies.

As a conclusion, in addition to companies' internal drivers such as market and strategic orientation, the Australian wine industry emergence seems to be highlighted by external drivers. So, to answer the primary question of this paper, behind the Australian wine industry success, environment does matter. In fact, compared to their French competitors, Australian wine companies benefit from a much more favourable environment insofar as it encourages



firms to be market/marketing oriented, to be proactive in their strategic orientation, to be entrepreneurial and innovative, and to work together in order to be more efficient. Perceived legislation flexibility does appear as the most differentiating factor between Australian and French wine companies, whatever companies' age and size. Consequently, this research pinpoints the fundamental role played by industry support as a way to promote individual companies as well as the industry proactiveness as a whole.

France has been the global wine leader for a very long time and French wine producers are still renowned throughout the world for their great quality wines. The danger in such a context is to keep resting on its laurels. Overall, France understands this problem, but this paper shows that the environment in France is still not conducive to change. The two areas investigated here, market and strategic orientation and the industry environment favor the Australian wine sector. French producers, thus, have a twofold problem: to become more market oriented by focusing on their customers and growing their exports, and to help establish a more conducive industry environment. However, it is not all gloomy. The French producers acknowledge the problems with their legislative environment and show signs of collaboration. We don't have data from 10 years ago, but it is likely these factors are more positive now than they were then.

This research is one of the few in the wine sector to demonstrate that the environment is partially responsible for the differential success of one country over another. The measurement and use of environmental variables is one of the key contributions. However, we acknowledge that this was an exploratory study, with a limited number of wineries in our data set and a relatively limited range of environmental variables tested. Further research needs to develop broader measures of the environment and test them under more rigorous conditions. It would be useful to look at several Old World and New World countries to get an idea of how specific these measures are to any one country. This would allow wine sectors to better plan their development and to place more emphasis on factors which have the greatest effect on winery performance.

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