

Wine Business Education in a Networked World

Tatiana Zalan

Associate Professor – Business, Torrens University of Australia
tatiana.zalan@tua.edu.au

Geoffrey Lewis

Professorial Fellow, Melbourne Business School, University of Melbourne, Australia
g.lewis@mbs.edu

Abstract

Purpose. The global wine industry urgently needs to improve the business and management skills of its professionals at the background of profound changes impacting the global higher education industry. The purpose of this paper is to discuss current trends in higher education generally and their implications for the wine business education more specifically.

Design / methodology/ approach. The paper reviews the trends drawing on a range of academic and industry sources. We build on our experience as post-graduate business educators with a strong research and teaching interest in the wine industry.

Findings. The most important drivers of change in the higher education sector have been the surging costs of higher education; globalisation of the sector, in part driven by disruptive online technologies; and an increased interest by private equity and venture capital looking for restructuring opportunities. The drivers of change have several implications for the higher education sector – bifurcation of the industry, price competition and emergence of low-cost providers leveraging online technology, and the rise of MOOCs.

Practical implications. We are proposing that collaboratively developed and widely used online courses is one way the wine business education sector can deal with the imminent threats facing higher education. This is best achieved through a global alliance of wine b-schools.

Key words: higher education, trends, wine business education, collaboration, e-learning.

1. INTRODUCTION

The global wine industry urgently needs to improve the business and management skills of its professionals, as noted by the participants of the 1st Global Conference on Wine Business Education. While a passion for wine is a pre-requisite and technical wine knowledge is an advantage, a good understanding of finance, sales and marketing together with the softer skills required to succeed in business, are equally important for industry participants (Sonoma School of Business and Economics, 2012). Such urgency is warranted, because major wine producing countries have either lost their international competitiveness since the early 2000s, with Australia being the most telling example, or are struggling to maintain their strategic positions and high prices in major export markets (see Lewis et al., 2013).

Nevertheless, wine-producing countries such as Argentina, Canada, Chile, China, Germany, New Zealand and Spain have not established degree programs particular to wine business. This contrasts sharply with the experience of other Old World and New World wine producers, such as France, the U.S. and Australia. France, with its Burgundy School of Business and KEDGE Business School, among others, has well-established traditions in wine business education. The Sonoma State University Wine Business Institute is the first programme in the U.S. to offer under-graduate and post-graduate degrees focussed exclusively on the business aspects of the wine industry. In Australia, the origins of a specialisation in the business of wine go back to 1977 at what was then Roseworthy Agricultural College, today part of the University of Adelaide's School of Agriculture, Food and Wine (Sonoma School of Business and Economics, 2012).

Most researchers and observers agree that the global higher education industry is on the cusp of profound change (e.g., Christensen et al., 2011; Barber et al., 2013; Lenox, 2013; Ernst & Young, 2013). Given the need for business skills improvement in the wine industry, how should b-schools respond to this change? The purpose of this paper is to discuss current trends in higher education generally and their implications for the wine business education more specifically. Noting that there is a need for innovative solutions, we outline some practical steps and advance the idea of cross-institutional and cross-border collaboration.

2. TRENDS IN HIGHER EDUCATION

Over the last three decades, the costs of higher education in the developed world have surged. In the U.S., for example, the costs have increased much faster than inflation or wages, from \$10,000 p.a. in 1970 to about \$23,000 p.a. in 2012 (in constant 2011-2012 dollars, for an average four-year residential college degree, inclusive of total tuition, fees, room and board) (The Economist, 2013b). According to another estimate by the National Centre for Educational Statistics in the U.S., quoted in Barber et al., (2013), between 2001 and 2011 prices for undergraduate education (inclusive of tuition, room and board) rose 42% for public and 31% for private institutions (after adjustment for inflation). On the supply side, much of this "remorseless" increase in cost (Christensen and Eyring, 2011: 82) is predominantly driven by the 'bigger and better' tendency, resulting in bloated administrative overheads and faculty salaries to subsidise research which, in turn, supports university rankings and academic career structures. This situation has become unsustainable, as the recent financial difficulties at Thunderbird Business School have demonstrated (see Ellis, 2013).

On the demand side, one of the driving factors has been availability of cheap student loans resulting in a nearly \$1 trillion debt which exceeds the entire U.S. credit card debt (Reynolds, 2012; Barber et al., 2013). This is coupled with a deep-seated – but unsubstantiated – belief that investment in higher education will eventually pay off, even though the value of a degree has been falling dramatically, as exemplified by high levels of youth unemployment in the EU (Barber et al., 2013).

In addition to increasing costs, amongst the most pervasive trends has been globalisation of higher education, partly driven by disruptive online models. Disruptive innovation is an innovation that replaces the original complicated, expensive product with one which is so much more affordable and simple that a new customer segment has the skills and wealth to use it (Christensen et al., 2011). Disruptive innovations are invariably driven by new entrants who grow to dominate the industry by moving technologies upmarket to reach the mainstream customer, until complete or partial substitution occurs. Online education represents one such disruptive technology which is easily scalable (Christensen et al., 2011).

Increased interest by private equity and venture capital has also been an important driver of change, as entrepreneurial investors see an opportunity to restructure the ailing sector. Recent examples include the Minerva University start-up (with Bob Kerrey and Larry Summers as investors) which raised \$25 million in seed capital (Reynolds, 2012) and Coursera, a MOOC (Massive Open Online Courses) platform which so far has received two rounds of funding from venture capitalists, of \$22 million and \$43 million. In general, venture capital investments in ed-tech companies in 2012 exceeded \$1 billion, up from \$438 in 2011 (InformationWeek, 2013).

3. GENERAL IMPLICATIONS FOR HIGHER EDUCATION

The drivers of change outlined above have several implications for the higher education industry – bifurcation of the industry, price competition and emergence of low-cost providers, and the rise of MOOCs, which we discuss below.

Bifurcation of the industry. The trends are bifurcating the industry into what might be described as ‘luxury goods’ and ‘commodities’. The former are institutions such as Harvard, Stanford and MIT leveraging their exclusivity, reputation and networks, with high price built into their value proposition. The latter are low cost providers such as Walden University and University of Phoenix leveraging economies of scale and online technology. In parenthesis, such bifurcation is not unique to higher education, and indeed many industries – including airlines and PCs – experienced a major shake-out akin to what we are facing in higher education today. Because these two strategic positions entail vastly different value propositions, resources (e.g., athletic teams and state-of the art-facilities) and activities (e.g., fundraising from alumni as a major source of revenue), they are, by definition, mutually exclusive (see Porter, 1996). For example, a recent report by Ernst & Young (2012) on the future of higher education predicts that in Australia three distinct strategic positions will emerge: (1) streamlined broad-based research and teaching universities, (2) established providers and new entrants dominating specialised niches and (3) private providers and new entrants who will carve out new positions in the traditional market, in part through merging higher education with other sectors (such as media and venture capital). The implication is that universal providers will be under pressure, and some may go into bankruptcy (Lenox, 2013; The Economist, 2013b).

Price competition. The imminent bifurcation of the industry suggests that universities will need to compete on price and new, low-cost providers such as Brigham Young University – Idaho will emerge leveraging technology (Christensen and Eyring, 2011). The economics of price competition seems to suggest that online universities are able to drop prices by 60% and still be profitable; while the vast majority of traditional universities may go into bankruptcy if their prices fall by as little as 10% (Christensen, quoted in The Economist 2013b).

The rise of MOOCs. MOOCs are widely regarded as an innovation building on the technological and pedagogical advances in e-learning (Lawton and Katsomitros, 2012), enabling a fast and consistent student engagement with high-quality content as well as measurable results (McKinsey & Co., 2013). Since the recent launch of leading MOOC platforms (Coursera, edX, Udacity, Khan Academy), MOOCs have generated unprecedented interest from students and partner universities worldwide (Daniel, 2012). The distinguishing characteristics of MOOCs (e.g., online delivery, a range of assessment methods, short videos and online forums) are claimed to have pedagogical benefits such as retrieval and mastery learning, enhanced attention and focus, peer assistance, and ability to ‘flip the classroom’ (see Glance et al., 2013). The available evidence seems to suggest that some aspects of MOOCs may considerably enhance student learning (Glance et al., 2013) and that, on average, online learning is as effective as face-to-face learning (U.S. Department of Education, 2009). The emergence of MOOC providers – who charge no or very modest fees – will make it harder for traditional universities to overcharge students, especially undergraduates, in order to subsidise research that nobody else will pay for (The Economist, 2012; 2013a).

Clearly, institutions, including providers of wine business education, will need to work out innovative responses to these trends in order to retain a competitive edge or even relevance (Lawton and Katsomitros, 2012). What do these developments mean for post-graduate education and, specifically, for b-schools? Will they suffer the same fate as the traditional university? Or will they find a way of leveraging the benefits of scale and low cost without sacrificing prestige and individuality? What innovative responses are required? We address some of these issues in the next section of the paper.

4. THE FUTURE OF WINE BUSINESS EDUCATION

4.1. Practical Steps

Traditional b-schools are finding themselves “stuck in the middle” – not being able to drive customers’ willingness to pay high enough to be a luxury good, nor having scale and online capabilities to be a commodity provider. We argue that b-schools with a specific industry focus, such as specialisation in wine and spirits, may be better positioned to deal with the changing higher education sector. This is consistent with the findings of the Ernst & Young’s (2012) report that one sustainable position for the sector may be specialised niches. The bifurcation of the industry discussed earlier is a natural market outcome. Yet the optimal outcome, in our view, particularly given the pressures of globalisation and disruptive technologies, would be to find ways to collaborate and pool resources within a specialised niche. This will involve the low-cost benefits of the online component without sacrificing the b-schools’ unique strategic positioning and brands. To be successful the right blend of competition and collaboration will need to be established.

Practical steps will involve:

- An establishment of an association of wine business educational institutions. The 1st Global Conference on Wine Business Education was a step in the right direction, with participants committing to collaboration across countries and universities in the creation of new teaching cases, sharing curricula and internship opportunities, as well as conducting cross-national research surveys. Anecdotal evidence would suggest however that, at least in the Australian context, not much has actually been done following the Conference. We propose that lead institutions need to emerge who will be willing to act as a catalyst for change.
- Further, we need collaborative faculty arrangements not only around research, but also around educational processes and materials.
- Low-cost, online accredited courses can be a useful solution for busy wine industry practitioners. We present ideas on one such course further in the paper.

Individual b-schools can then differentiate themselves through a hybrid model which blends face-to-face learning with e-learning by attracting a distinctive pool of students, excelling in certain areas of wine business research and having close engagement with the local / national industry. The latter may involve having senior wine industry executives running parts of the programme. Location of the b-school (e.g., Burgundy, South Australia, Italy, Spain, Chile or California) can also be a differentiating factor. Joint research, cross-border student projects, creation of internship opportunities for students, and faculty and student exchange are possible avenues for collaboration.

4.2. A Possible Model

In this section of the paper we would like to share our experience in the development of an online strategy course for the wine industry, which is well under way as a collaborative arrangement between educators from Melbourne Business School, University of South Australia and Torrens University on the Australian side and Burgundy School of Business in Dijon, France. The delivery of the course – which we named *Strategic management in the international wine industry - a course in applied strategic thinking* will ideally involve collaboration around, for example, course materials, student exercises, and student projects.

The Australian wine industry is one of the countries leading the world in viticulture and oenology (Lewis and Zalan, 2007), and is the fourth largest wine exporter globally. In addition, Australia's supporting research and educational institutions (e.g., the AWRI and the University of Adelaide) are of high international standing, so the course will have credibility with an international audience. Strategic thinking is, however, lacking, as the recent industry crisis in Australia demonstrated. Our analysis of the Australian wine industry suggests that Australia has lost its international competitiveness since the early 2000s, largely as a result of a lack of clear strategic positioning relative to other global competitors (Lewis et al., 2013). Thus, in terms of technical qualifications, the Australian industry has been traditionally well served, but business management education, particularly at post-graduate level, is deficient. This seems to be an issue not specific to Australia, as discussed in the introductory part of the paper.

The underlying principle is that this is an online higher education course, not a MOOC. It is a structured course in terms of pedagogy, and is limited to the enrolled students who will be accepted as post-graduate students, with certain prerequisites. The student numbers are likely to be limited, but the course design and technology can accommodate a very large number of

students compared with traditional face-to-face delivery methods. Hence, the benefits of scale will be significant. The assessment is designed to be more rigorous than in a typical MOOC, and no less rigorous than most post-graduate courses. Students will be given credit for passing the course. Field projects, syndicate work, case study discussions and weekly assignments are an integral part of the course.

In terms of content, the course has been built on our extensive experience as educators in strategic management and our in-depth knowledge of the wine industry as researchers. The course comprises three modules – Business Strategy, Corporate Strategy and Strategy in a Networked World. All materials are up-to-date and have a heavy international component to make them relevant to an international audience. Their practical relevance is ensured through the extensive business experience and involvement in the wine industry of one of the authors of the paper.

In conclusion, we are proposing that collaboratively developed and widely used online courses is one way the wine business education sector can deal with the imminent threats facing higher education. This is best achieved through a global alliance of wine b-schools.

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