

DYNAMIC CAPABILITIES FOR SUSTAINABILITY - STIMULUS FROM A MULTI-CASE RESEARCH

Marc Dreßler, Hochschule Ludwigshafen, Neustadt, Germany

Abstract

Sustainability innovations in the wine industry require a strategic approach. This research makes an attempt to answer to the call for development of common sustainability indicators in wine business that allow to track the achievements, determine critical areas of intervention, and present a decision making tool for winemakers and consultants, leaning on the strategic concept of dynamic capabilities. The approach synthesizes a comprehensive set of routines and dynamic capabilities for wine business sustainability for all three areas of sustainability. The strength of the dynamic capabilities approach to sustainability is that it is not prescribing any definitive solutions but rather supports a transformation towards sustainability as a process and developmental path. A multi-case analysis explores four German wine producers regarding economic, social, and environmental dynamic capabilities for sustainability.

Being sustainable is an important strategic choice a single winery can make, but also on the level of a wine industry of a certain region. Similarly, modern strategic thought views both strategy and sustainability as concepts rooted in the dynamic capabilities because of their long-term focus and inherent property to continuously change resources. Actually, the field of strategic management has traditionally been focused on developing tools and theories about the nature and causes of sustained firm performance. The empirical study hereby followed two analytical approaches. Firstly, an assessment of dynamic capabilities regarding social, environmental and economic sustainability. The second stream evaluates each of the four wineries separately. A need to appropriately formulate or reformulate sustainability in different wine-production contexts, ranging from state-owned research facilities all the way to small independent wineries, is discovered. International certification bodies use different approach than industry-wide wine sustainability initiatives or single firm's sustainability efforts.

Of the cases surveyed, one winery acts as first mover using its size to its advantage. The second winery, a much larger cooperative, follows closely while taking more time for decentralized organization of activities. The third case realizes sustainability strategy primarily from a market-based perspective, while the fourth sets a narrow focus, primarily on regulation in vineyard management. In order for the process of transformation towards sustainability to be

effective, organizational transition needs support in developing dynamic capabilities for sustainability. It must include multiple stakeholders to hold wine producers accountable on a wide range of impacts, and enhance the use of flexible, soft and creative mechanisms in dealing with sustainability issues. The four cases illustrate the importance of transparency in developing dynamic capabilities for sustainability to encourage seeking advice to improve. Small wine producers need support in progressing towards sustainability and in developing dynamic capabilities for using the resources sustainably that is in harmony with the nature, society and economy. It is however even more important to encourage large-scale producers to consult governments, research institutes, and NGOs regarding certain aspects/criteria of sustainability. In this sense, one analyzed cooperative should particularly consider using a sustainability evaluation framework to guide the member wineries in evaluation and management of sustainability. For an effective process of transformation towards sustainability, organizational behavior is key. The paper identifies a need for an “orchestrated” process from a strategic, resource-based perspective based on dynamic capabilities. It secures sustainability across the industry, but also for single wine-producers in creating and building competitive advantage in the modern wine market. The sustainability assessment should especially empower small wineries to deal strategically with sustainability issues by identifying important firm resources, dynamic capabilities and routines from a sustainability perspective.

Primary goal of the study was to demonstrate the strategic value but diverging range of measures and therefore dynamic capabilities of wine producers and their quest towards sustainability. Limitations are among others the limited number of cases and hence few interviews.

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