

# STRATEGIC PREPAREDNESS AND RESILIENCE IN THE U.S. WINE INDUSTRY: AN EXPLORATORY STUDY

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## **Importance of this investigation**

Recent natural disasters have impacted companies and personnel among various regions and producers in the global wine industry: e.g. earthquakes in Napa Valley (2015) and New Zealand (2016), as well as devastating fires in Napa Valley, Northern Spain, Portugal, and Sonoma County (2017). Managers of wine businesses in dire situations (this is a little unclear - do you mean dire in the sense of potential crisis in fire and earthquake prone areas or those trying to operate while nearby businesses are affected by crisis?) must find the right balance between planning and remaining operational. No matter how well a plan has been thought out, unexpected events — “black swans” — happen (Taleb, 2007). Expectations for preparedness from employees, trade associations, retail groups and customers are rising, and wine businesses need to proactively plan for potential natural disasters. Our research asked the questions: 1) to what extent are managers of wine businesses prepared for disaster (we might want to stick with the same term - disaster) and, 2) which policies and procedures are deemed necessary by managers in preparing for disasters?

## **Prior research**

Strategic preparedness is a proactive phase of risk management. Prior researchers suggest that managers’ perceptions of strategic preparedness are contingent upon organizational characteristics as well as an employee’s status within an organization. Haines (2012) defines strategic preparedness as “a proactive phase of risk management...for emergent forced changes, whether originating from natural or human sources” (Haines: 1842). Yet despite numerous theoretical investigations into crisis management and disaster preparedness, there is scant research on proactive activities such as institutionalized processes, executives’ and employees’ perceptions of risk, and adoptions of organizational crisis management preparations, considered to be part and parcel of pre-event preparedness (Pearson and Clair, 1998). Fowler et al. (2007) suggest that there may be differences in perception of disaster and crisis preparedness contingent upon level of employment standing within an organization, i.e., top-level managers and owners evince a higher level of perceived preparedness than employees. Further investigations are needed to uncover institutionalized processes, managers’ perceptions of risk and adoptions of organizational crisis management preparations, which together comprise pre-event preparedness.

## **Hypotheses**

Hypotheses were constructed to ascertain the impact of four IV — (1) organization size (based on volume produced), (2) number of employees, (3) age of the business, and (4) employee

organizational level (entry, middle manager, senior manager) — on perceptions of organizational preparedness for black swan events (DV).

### **Methodology**

From May – June 2018, a survey instrument adapted from Fowler et al. (2007) was emailed to 400 university wine business program alumni (undergraduate, MBA, and EMBA). Follow-up interviews to verify, refute, or amplify quantitative responses were conducted with two individuals at four different wineries during August–September 2018. The same survey was sent to a larger sample of 3,775 winery executives in the *Wines & Vines* database during October–November 2018, with the intent of capturing larger sample to permit factor analysis of diverse approaches to preparedness, identify indicators of organizational trust, and provide balanced viewpoints not easily obtainable from the prior exploratory cross-sectional survey (Patton, 2002: 453). At this writing in mid-November 2018, only 3,425 addresses turned out to be correct and 104 completed responses have been received, for a response rate of approximately 3 percent.

### **Findings, limitations, and implications for practitioners**

Findings from 50 completed responses indicated medium to low scores of preparedness (2.65) on a scale of 1 (low) to 5 (high). Higher-level managers indicated higher levels of preparedness than lower-level staff. Medium-sized wineries indicate higher levels of preparedness than small or large wineries, thus results are inverted U-shaped. Qualitative field interviews indicated that organizational trust may well be more significant than factors of organizational size and age and employee position when organizations are faced with “black swan” events. Preliminary guidance on best practices to prepare wine businesses for black swan events will be presented and discussed. Future research across wine regions could overcome some limitations of this investigation (e.g. representing only one wine producing region, small population size, potential biases due to very recent natural disasters in the region under study, etc.) and to deepen our understanding of similarities and differences in strategic preparedness.

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