

Pivoting after a Societal Shock: Transactional vs. Transformational Leadership in the Wine Industry

A “Big Picture” Paper

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Abstract

◦Purpose – Has re-thinking the business models of wine producers become necessary after societal shocks such as COVID-19, natural disasters, political upheaval, and climate change? Should leaders of incumbent firms innovate and create better business models? In this theory building paper, we examine how wine business leaders transform their followers, organizations, and industry. Transactional leadership builds consensus around a strategy to sustain a culture of excellence, enhance motivation, and increase productivity (Senge, 1990). Transformational leaders, conversely, take companies into new directions as change agents; are courageous; believe in people; learn continuously; and have the ability to deal with complexity, ambiguity, and uncertainty (Tichy & Ulrich, 1984). Which style do wine businesses need now?

Organizational innovations are typically driven by the external macro-environment in which a wine business operates. Innovations have been characterized as tangible i.e. primarily related to investments in new production technologies, processes, and products) or intangible, i.e. primarily related to investments in human capital and social networks) (Ali & Nauges, 2007; Alonso et al., 2019). Although prior researchers have shown that wine businesses must maintain a balance between tradition and innovation, we demonstrate how societal shocks require re-balancing both leadership and business models.

◦*Design/methodology/approach* – Field interviews via Zoom across six wineries in France and the United States were conducted in late spring and early fall 2020. Respondents to structured questions about the state of their businesses expounded on their activities in response to COVID-19 and natural disasters. Content analysis of the transcripts provide hypotheses regarding leadership approaches to maintain or innovate the business models in the face of societal shocks.

◦*Findings* – Many respondents have yet to reach a conclusion or a consensus on the benefits of innovation after a societal shock; others have been proactive in transforming their business models.

◦*Practical implications* – On a preliminary basis, wine producers appear to need guidance. Collaboration and cooperation among wine business educators could enable practitioners to gain access to shared resources, networks, information technology and know-how in order to cope with unanticipated change.

Key words: Societal shocks, Leadership, Innovation, Qualitative research, Theory building
