

Winemakers Provide Lessons on Resilience

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Like old vineyards that still produce great wines, older family businesses thrive across many generations developing resilient responses in the face of competition, market shifts and family disruption. While scholars have studied resilience extensively in the past – focusing mainly on the structures and processes of resilient firms and the skills of resilient leaders – the topic remains difficult to define and ever-evolving.

To give other family enterprises and the scholars who study them a deeper understanding of resilience (the ability of organizations to avoid, absorb, respond to, and recover from, situations that could threaten their existence), we talked with people who, it would seem, have resilience down to a science: the leaders of family-run winemaking companies that have survived at least half a century, as they have been owned and managed by the same family for 50 years or more. What we found: while these venerable survivors may be in the same industry and may share similar challenges, their leaders' perceptions of "resilience" vary widely, and are shaped by their personal experiences in the business. These perceptions, in turn, influence what the leaders do "in practice" to make their firms resilient. The takeaways can be useful to any kind of family firm hoping to generate long-term benefits across many generations.

Our [qualitative research](https://www.sciencedirect.com/science/article/abs/pii/S1877858520300826) (https://www.sciencedirect.com/science/article/abs/pii/S1877858520300826) included face-to-face interviews in 2016 with leaders of 17 winemaking companies in Italy and Australia. Italy represents the old world of winemaking – and is second only to France as a top winemaking region. Australia and other countries in the southern hemisphere are considered the new world. However, among all our respondents the youngest firm was still 60 years old; the second youngest was 94 and all of the rest were more than a century old.

Winemaking provided the perfect industry to study

because the vintners operate in a dynamic environment and are constantly challenged by competition from other producers, new winemaking competitors in the southern hemisphere, the whims of weather and fluctuating tastes in alcoholic beverages. (For example, per capita wine consumption has been dramatically declining in Italy during the last decades, which has forced Italian winemakers to grow into markets outside their home country, like the US and UK markets).

Four practices to resilience

Our in-depth conversations with winery leaders sought to discover the secrets of their resilience and longevity. Among our questions were two broad open-ended questions that prompted long discussions: "How do you perceive changes that impact your business?" and "In your opinion, which are the activities that sustain your business over time?" After reviewing and analyzing those conversations, it emerged that the leaders perceived resilience in four qualitative different ways, which influenced how they ran their companies and practiced resilience:

Ability to prepare for a change

These leaders saw resilience through a proactive lens as the ability to be ready for a change. They focused on foreseeing change and adjusting the company accordingly. Many of these leaders had recently inherited the business from an older relative and experienced the turbulence of succession and organizational change. One of these new leaders added grape juice to the company's portfolio and another added a bottling operation to the family vineyard to better differentiate their product and to gain more visibility in the eyes of their final customers. They see the secret to resilience as "acting in advance" and staying on top of trends and opportunities. They may invest heavily in innovation and R&D so they can be ready in case of future change.

Ability to control change

These leaders saw resilience as the ability to control external change and sidestep or minimize its impact on the company by managing what “you can control.” Many of them were middle-aged men who had worked most of their lives in the winery. Their emphasis is on leadership, and they take a paternalistic attitude towards their employees. They believed in creating their own opportunities and putting their own brand on the product, rather than taking their cue from the outside. “There’s no point getting cranky about something you can’t control; you just put the controls in place that you can,” one company leader told us. Others told us that they were comfortable enough with their success and their image that they didn’t see competition as a threat.

Ability to adapt to change

These leaders saw resilience as the ability to maintain and consolidate an already solid position in the market. They believe in adapting to change as it is taking place. Most of our respondents holding these views were outsiders who were hired to make the family business stronger during a period of change: for example, new investors or a new family leader. One leader said that market changes did not represent a threat, but an opportunity “to adapt the business without losing sight of what you are all about.” While adopting some changes that cater to new trends – one winemaker was adding a new product to appeal to the growing trend of Aperol spritzers -- these leaders practice resilience by compelling storytelling about their brands as a way to stay grounded with their own identity and traditions, but at the same time innovating to adapt to changing markets.

Ability to absorb change

These leaders saw resilience as the ability to absorb change rather than adapt to it, and aim to preserve the family business as is. When they encounter change that could threaten their survival, their goal is to keep the ship steady. They see their business as a heritage that they must preserve. The owner/managers in this group were all family members who had never worked outside the family business. They seek to preserve their market position without changing their wines. Reputation is important to them. “My family had an excellent reputation as trusted people who keep one’s promise and also financially, we never let someone down,” one

leader told us, “and it’s not a little think and I’ll continue with this and never allow myself to change.”

Future research we would like to see

- Since resilience depends heavily on context and how that influences owner’s experiences and perceptions, we would like to see studies in other industries, and possibly other countries.
- Comparisons between family and non-family businesses’ approaches to resilience would allow us to identify idiosyncratic patterns to developing and maintaining resilient organizations. Studies might address questions such as how similar and how different they are in their approaches or practices of resilience and on what basis they differ or they are similar.
- Investigations on the role of the family (or a united ownership group) and in what capacity it contributes to business resilience. Expanding on this, what does the process of building resilience over time look like? Which member of the family is involved?
- Finally, investigating if the pandemic is changing the ways leaders approach building resilient organizations.

Takeaways for other family businesses

- Resilience is a pursuit rather than a static quality. There is no set list of *best* practices that confer resilience; each business has its own best practices and they are shaped by the owner’s perceptions of resilience, and the business’ unique context. And this depends on the context in which it is practiced, and it influences what owners learn and do to be resilient. Resilience-building activities that might work for one business may not work for another.
- While a set list of best practices is hard to pin down, entrepreneurs leading a business may need help from an advisor to settle on their own approach to resilience, and to pursue it in a way that ensures the company continues through the generations. Advisors might help in enunciating the resilience profile of the owner/manager through posing questions such as: “What is our

current 'modus operandi' when it comes to building and maintaining resilience? Does our pattern serve us going forward? Have we been as successful as we could be when it comes to making our organization resilient? What are strengths, our weaknesses, and where is change warranted?"

- In practice, to improve family as well as non-family business' response to challenging times, owners/managers might ask themselves – also with the help of a consultant – Who are we? What does it mean to us *being resilient*? How do we want to survive and go ahead? Are we willing to change? Or, do we want to survive leaving everything as it is? What is the surviving goal that we aim to pursue as a family and as a business.

References

Practicing Resilience in Family Firms: An Investigation Through Phenomenography
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