Title
Strategic Performance Management in Bordeaux Wine Industry: Business Model analysis and proposal for a Strategic Map

I want to submit an abstract for:
Conference Presentation

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Keywords

Research Question
What are the main components and evolutions of the business model of a wine SME within the Bordeaux region? How can it be aligned to the firm’s strategic objectives?

Methods
Case study approach (wineries and consultancy firms)

Results
We highlight how the managers of wine properties do not formally define any strategy. However, as a common pattern, they tend to mention some factors which help them to gain competitive advantage such as environmental policies, financial stability, customer focus and quality, management tools.

Abstract
The management of a wine property is strongly influenced by the international environment. In a globalized market, the intense competition from the wines of the New World leads to complex management issues for European wine producers. In this global competitive environment, wine properties need to critically review their business models, set up strategies, and measure their performance. The business model of small and medium wine producers operating in the Bordeaux region is based on both internal (global brand image, reputation of the property, quality of wines, environment respect, financial profitability,...) and external factors (climate hazards, territorial anchorage, family traditions, soil recognition,...) that have a strong influence on their global performance. Moreover, sustainability and long-term perspectives add original elements to the way properties
are conducted compared to other businesses or contexts where investors remain focused on short-term returns on investment.

Academically, there is a lack of information concerning how SMEs operate in the wine sector – particularly in Europe – from a strategic perspective. The majority of Bordeaux wine properties are family businesses. In this type of company, the value given to the wine is linked to the family tradition (Garcia-Parpet, 2000) and investors are not merely motivated by profitability. A return on investment is barely possible on a long-term basis because of the structure of the operating cycle and the significance of investments needed (land and machinery). Moreover, dynamic marketing and sales, increasing mechanized processes, brand image development, environmental issues and management optimization are key parameters to create value, a structural goal for each business model (BM), a concept analyzed by different authors that does not reach complete agreement within the academic field. Several streams of ideas and definitions of BM have been followed in the last two decades. In our article we will consider only the definitions that include the strategic dimension (value creation, competitive advantage, and long term focus) which is the theoretical backbone of our work. Consequently, we embrace the definition of BM as referred to ‘the articulation of different areas of a firm’s activity designed to produce a value proposition to customers’ (Demil & Lecoq, 2010). In particular we use the authors’ transformational approach where BM is strategically used to propose change and innovation to the firm. Besides, apart from a number of blurred definitions on BM we can find in literature, the relationship between BM and strategy is gaining momentum among scholars and practitioners. In fact, literature on this topic is getting richer and several authors are starting to publish both by crossing theoretical principles and applying outcomes to current business organizations’ real life (Demil, Lecoq, & Warnier, 2014), as well as conducting pure academic research (Vestraete & Juison-Lafitte, 2009). Definitely, BM is a kind of simplified representation of the functioning of an organization that can demonstrate how the firm creates a strategy-aligned performance (Warnier et al. 2012).

In the framework of a wine property, performance seems to have many dimensions. Analyzed globally and with a sustainable vision, it includes environmental, organizational, societal and economic aspects. Additionally one must add the dimension of family and territorial anchorage. In other industries (excluding the agricultural activities), performance is generally analyzed through financial metrics that are focused on the short-term and that have unavoidable flaws (Saghroun and Eglem, 2008). Our research question can be formulated as follows: What are the main components and evolutions of the BM of a wine SME within the Bordeaux region? How can this BM be aligned to the firm’s strategic objectives?

Our research uses a case study approach (wineries and consultancy firms) based on the Miles and Huberman research protocol (2003) to investigate SMEs operating in the wine industry located in the Bordeaux region. We highlight how the managers of wine properties do not formally define any strategy. However, as a common pattern, they tend to mention some factors which help them to gain competitive advantage such as environmental policies, financial stability, customer focus and quality, management tools. The aim of our article is to better understand how and why small organizations act strategically within their competitive environment, and how those organizations manage their global performance. From a strategic perspective, the most recurring factors – which have been selected during interviews - have been treated as strategic themes, and according to the BSC model, gathered within a Strategy Map. In addition, we have identified some management tools and metrics which are necessary for winery managers to run their businesses effectively with a consistent strategy-focused concern. We propose finally a BM based on a Strategy Map which integrates management tools. The study sheds additional light on strategic performance management of SMEs operating in the wine sector, which are currently in extreme need of usable development tools such as BM, Strategy Maps and KPIs. It offers an extraordinary occasion for wineries to grow and gain competitive advantage by aligning BM, strategic objectives, and firm’s performance.