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Outline of our presentation

• Context
• Research Question
• Literature on BM & Strategy
• Empirical approach
• Theoretical Model
• Insights
Context

- Intense worldwide competition (wines from the New World),
- Particularities of the wine industry (strong investments, duration of the production cycle, long-term profitability, climatic hazards,...),
- Importance of “terroir”, family heritage and tradition,
- Necessity to focus on the quality of wines, but also on innovation and value creation,
- Sustainability is becoming a great concern.
How wine estates integrate sustainability into their business models and strategies?
• How can a wine estate innovate its BM?
• Are sustainable practices pushing wineries to BM innovation?
• In this perspective, are there differences comparing a New World winery to an EU based one?
• Can BM innovation be aligned to the firm’s strategic objectives?
Literature on BM & Strategy

BM vs Strategy

Strategy (60’s)

Business Model (90’s)
1959: Penrose
1962: Chandler
Mid 60’s: Business Policy courses (Harvard University)
1973: Drucker
1978: Mintzberg
1985: Porter
2004: Kaplan & Norton

Table 1: Different dimensions of the BM concept from a literature review

<table>
<thead>
<tr>
<th>Dimensions of BM</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement</td>
<td>Stewart &amp; Zhao (2000)</td>
</tr>
<tr>
<td>Description</td>
<td>Applegate (2000); Weill &amp; Vitale (2001)</td>
</tr>
<tr>
<td>Representation</td>
<td>Morris, Schindehutte, &amp; Allen (2005);</td>
</tr>
<tr>
<td>Architecture</td>
<td>Dubosson-Torbay, Osterwalder, &amp; Pigneur</td>
</tr>
<tr>
<td>Conceptual tool or model</td>
<td>George &amp; Bock (2009); Osterwalder</td>
</tr>
<tr>
<td>Structural template</td>
<td>Amit &amp; Zott (2001)</td>
</tr>
<tr>
<td>Method</td>
<td>Afuah &amp; Tucci (2001)</td>
</tr>
<tr>
<td>Pattern</td>
<td>Brousseau &amp; Penard (2006)</td>
</tr>
<tr>
<td>Set</td>
<td>Seelos &amp; Mair (2007)</td>
</tr>
</tbody>
</table>

Source: Adapted from Zott, Amit & Massa (2011)
BM vs Strategy

• **BM will replace Strategy** (Casadeus-Masanell & Ricart, 2010; Osterwalder, 2004; Amit & Zott, 2001)

• **Two complementary tools** (Mintzberg, 1987; Norton & Kaplan, 2006; Casadeus-Masanell & Ricart, 2011; Chesbrough, 2010; Lecocq & Warnier, 2013; Teece, 2010)

• **BM will not replace Strategy, but boundaries can be blurred** (Demil & Lecoq, 2010)
BM vs Strategy

BM needs strategy to work.
Empirical Approach

- **Preliminary phase**: Case Study approach (Yin, 2014). Analytical generalization.

Figure n°1: Strategy and BM concepts in the wine industry

Elements which may affect both BM and strategy within the wine industry

**Business Model**
- blurred concept
- economic changes
- innovation

**Strategy**
- competitiveness
- long-term performance
- action plan

- Prices
- Firm Market positioning
- Distribution channels
- Environment
- Competition

- Grape varietals
- Appellation/area
- Owned land
- Vineyard management
- Wine quality related activities
- Sustainability
Towards a New Business Model

Theoretical Model

Processes/Quality

KPIs: knowledge of soil, grapes, industry, protocol respect,...

Intangible

KPIs: employees’ turn-over, average age, employee satisfaction, retention rate, training hours/employee, ...

Sustainable Approach

Customer

KPIs: sales growth rate, customer retention, new customer rate, direct sales rate,...

Finance

KPIs: level of inventories, cash resources, production cost per bottle, gross profit margin...

NBM*

*New Business Model
Theoretical Model

Business Model Execution framework

BM components:
- Strategic objectives
- KPIs
- Targets
- Initiatives
- Owners
- Budget

Business Model

Execution framework

STRATEGY

- STRATEGY ANALYSIS
- STRATEGY FORMULATION
- CHANGE AGENDA

BUSINESS MODEL

- BUSINESS MODEL ANALYSIS
- BUSINESS MODEL INNOVATION

OPERATIONS

- STRATEGY EXECUTION
Business Model Analysis

Theoretical Model

Business Model

- Structure
  - Key activities
  - Key partners
  - Key resources

- Core
  - Value proposition

- Customer
  - Segments
  - Relationships
  - Channels

- Capital
  - In flows
  - Out flows

Adapted from: Osterwalder (2010)
SUSTAINABILITY THEME BASED STRATEGY MAP

FINANCE
- Cost reduction
- Revenue increase

CUSTOMER
- Reduce perceived risk
- Enhance customer value
- Increase community awareness

PROCESSES
- Reduce risk
- Increase security
- Enhance quality
- Involve society

INTANGIBLES
- Technical skills development
- Sharing the culture
- Community involvement

Adapted from: Kaplan & Norton (2004)
Adapted from: Kaplan & Norton (2004)
SUSTAINABILITY THEME BASED STRATEGY MAP

Adapted from: Kaplan & Norton (2004)
SUSTAINABILITY THEME BASED STRATEGY MAP

Adapted from: Kaplan & Norton (2004)
Strategic objective: reduce waste, ...
KPI: reduction rate
Target: %
Initiative: waste management program

Key Activity: waste management

Key Partner: community
- Strategic objective: involve local community
- KPI: community feedback into action
- Target: % transformation rate
- Initiative: local partnerships development

Key Resource: employees
- Strategic objective: improve technical skills
- KPI: training hours
- Target: Nb / year
- Initiative: specific training program
Insights

- The desire for structuring strategy and measure performance;
- The idea that performance can be measured in both financial and nonfinancial terms;
- The concern about environment and sustainability practices;
- Resistance to change a current BM.

Winery

- Set up strategy
- Measure performance
- Change the Business Model
- Include sustainability
• Sustainability is a major force for Strategy and BM innovation;

• Beyond green practice, the global approach to sustainability. Proactive vs reactive;

• The need to move from symbolic environmental practices to more substantial and global approaches:

   Financial capital + Human capital + Natural capital
Insights

- Wineries are moving from only symbolic to a more substantial approach to sustainability;
- They need to acquire knowledge, both in technical and managerial terms to set up strategies, innovate their BM and execute their strategies;
- Measuring global performance, they will be able to accelerate/modify strategic choices in order to create value within the organization.
THANKS!