

INNOVATION AND AGGREGATION: A GOVERNANCE MODEL TO SUSTAIN COMPETITIVENESS OF WINE COMPANY IN SOUTH ITALY*

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Abstract: *The paper aims to analyze the relationship between property and business in wine cooperatives, defining its contribution to the firm's development and competitiveness based on a customer-centered perspective.*

On-desk analysis of theoretical and literature contributions on the studies about relations between businesses, with particular attention to the Viable System Approach. On-field analysis with the methodology of case studies, in order to verify the analysis proposed model depth.

The study has enabled to carry out: 1) identify operational measures which could sustain wine companies' competitiveness also taking advantages from the territory; 2) define an analysis model concerning supply relationships useful in order to observe the automated development potential, production and commercial relationship.

Keywords: *Aggregation and Innovation, Customer Relationships, Competitiveness.*

1. INTRODUCTION

Nowadays, complexity in competitive systems requires companies operating in wine sector to face changes in management practices in order to be oriented towards a dominant principle, specifically about customers' relationships. Thus, companies must increasingly act according to a *customer-centered* logic or operate in order to activate relational mechanisms with their customer aimed to interact following contributing to develop companies' ability to adapt and stimulate trust in consumers (Costabile, 2001; Kotler et al., 2012; Siano et al., 2004; Gummesson, 2005).

The implementation of these mechanisms requires to define an operating structure and several business processes able to activate a path aimed to adopt relational mechanisms with customers useful for monitoring their behavior and activating product adaptation paths in order to make it constantly in line with market expectations as well; additionally, companies should be able to activate paths aimed to defining supply chain control and coordination mechanisms in order to guarantee and sustain aforementioned activities.

Furthermore, it might be interesting highlight that in the case of the wine industry, the implementation of the proposed strategy requires to consider also the competitiveness of the wine companies always related not more just only referring to the product made, but is also consider-

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ing a complex set of elements binding products to the wide range of components in the considered territory in which it is made.

Thus, the paper is aimed to propose considerations about the role of relationship between the property, that in the cooperative model analyzed is represented by the farmers primary suppliers of raw material, and the wine company with the final scope to understand its potential contribution to development and competitiveness in considered company. Particularly, these relationships will be observed using a model in which the level of coordination and control of operational activities is considered, defining the characteristics of each relational typology analyzed founded according to pursuit of competitiveness.

The proposed framework assumes that competitiveness and therefore the relationship with the consumers are strongly influenced by the ability of the entrepreneurial reality to adapt its product and so the processes realized, at the changing needs of the final consumer.

Considering these scopes, the paper aims to define a typical behavioral pattern in terms of activities and processes to be activated by the adoption of a Viable System Approach (VSA) perspective (Golinelli, 2000; 2002; 2008) fundamental in order to pursuit competitiveness of wine companies. Furthermore, the research aims to identify characteristics usually support relationships - in the considered case generated due to the relationships between the property, i.e. farmers, and the grape manipulating company - who must be possessed in order to allow companies developing of competitiveness wineries in the current competitive context; experience of a successful reality in the panorama of Apulian wine production cooperatives will be considered and in which technologies able to automatize production processes and relations with the final customer have been implemented.

Therefore, current competitive context requires adaptability who can't be separate from the activation of relational mechanisms based on sharing common growth paths or from adoption of innovative technologies able to simplify the supply chain (Grando et al., 2010; Signori, 2004; Borghesi, 2001; Santovito, 2005; Maizza, 2001; Massaroni, 2002) because aimed to maximize performance and competitiveness.

2. TERRITORIAL AND WINE COMPANIES' RELATIONSHIP IN A VIABLE SYSTEM APPROACH

Wine companies who choose to operate according optimization value to be transferred on the final consumers requires a development of organizational structures that cannot be separated without considering its systemic nature and the synergistic relationships activated with the sub-systems make up the wine production supply chain and supersystems represented by distribution and consumption.

Considering a relational perspective, the systemic nature of viticulturally industries is based on the research of consonance (Golinelli, 2000, 122-124) activated with its sub-systems referred to macro-areas of their own supply chain and identifiable in the system of agricultural production, in the wine-production system, in the bottling and packaging system.

Literature and particularly specific studies (Mastroberardino, 2002, 37 and follow.) investigating the systemic characteristic of the wine business, fundamental for this work revealing the

produced effect considering the relationships between the aforementioned systems. The relevance of these relationships is more evident when these sub-systems provide the wine system with resources for its functioning is considered; break them down during the analysis might mean follow a reductionist approach with a related partial analysis in which a holistic approach can be framed in its optimal context.

For nature, wine companies also interact with a high-level of systemic entities that reveal expectations and survival influence considering they possess resources essential for its functioning. These entities are several different according literatures (Golinelli, 2000, 191; Barile et al., 2003; Calabrese & Vescei, 2003) considering their relevance might be distinguished direct systems from the indirect.

In the first group might be considered the system of distribution, communication, consumers and institutions responsible for controlling compliance with the rules, which have important resources for the functioning of the system (Mastroberardino, 2002, 284 and follow.; Santovito, 2005). In the second group (definable as over-indirect systems) the tourism system, the system of culture and traditions, the landscape-environmental system might be considered. These entities affect the system on a mediated basis because when properly coordinated might able to facilitate the process of recognition/purchase of the product (wine) according virtue about pre-existing knowledge of the related origin territory or due to appropriate communication strategies also able to represent the considered territory (Orth et al., 2005; Busacca et al., 2006).

Thus should not forget that in the current competitive context the wine, as all typical products, possesses for nature, or might be influenced through marketing strategies, territorial connotations related to specific attributes: the intrinsic value related to origin territory in which is made (Van Leeuwen & Seguin, 2006), propensity to quality as the sharing of cultivation and production techniques, integration of the supply chain and physical, anthropic and cultural dimension considering territory (Fait, 2008; Baccarani & Golinelli, 2001; Rullani, 1999).

Preliminarily is useful identify the possible training paths of a systemic model that might move from the bottom (following a bottom-up approach) or from the actions of institutional over-systems (following a top-down approach). Depending on the systemic approach adopted the optimal genesis will be conditioned by the ability to correctly interpret the vocation, to design and communicate a unique identity compatible with this vocation considered (Fait, 2010).

Most competitive and advantaged system according a perspective of knowledge economy are those that beginning from a low level might able to spread the know-how in order to generate high value products oriented to the consumers' needs. Therefore, the wine business system must realize synergies derived from the availability of use in resources and from coordination of univocal actions coherently to a customer-centered logic.

As sub-systems we refer to wine companies or their aggregations: in some geographical areas they do not possess compulsory requisites able to provide a suitable stimulus to the system in the process of completing due to lack of knowledge, financial and, often frequently, reduced size. In this perspective and by observing the reality emerges how in a specific geographical area characterized by wine production, subjects considered for our purpose might be Consortiums of Quality protection such as Doc/Docg and obviously local institutions aimed to the enhancement of the territory such as Provinces, Boards of Trade.

Assuming as fundamental the relevance of the synergistic relationships that wine companies activates with the related sub-systems and the supra-systems on the territory in which operates, a possible operation model is traced considering mechanisms deputed to make it possible:

- the creation of production prerequisites that might evolve and innovate considering consumer's needs; this involves the adoption of product management processes that might control its evolution considering consumers' behavior and needs;
- the control and the coordination of the supply chain functional to the adaptation of the final product to the consumers' needs;
- the correct perception of the wine-territory relationship which when appropriately communicated might become a driving force that consumers can recognize and an identification brand based on the sustained synergy.

Construction of an activity plan for companies might not ignore considerations towards the governance model adopted especially in sectors such as the wine industry in which there are widespread approaches inspired to act diffusely according specific trajectories reflecting property's willingness. Considering assumptions, the presented model is developed as a cooperative model in which suppliers are the owners of the rights of ownership in the same company, it's compulsory establish common rules aimed to carry out activities specifically referred to those functional to the realization of the final product.

The adoption of common paths allows the pursuit univocal goals otherwise unreachable. In extremely fragmented production structures (such as those present in Italy) the activation of functional production mechanisms aimed to satisfy demand market cannot be separated from the adoption of shared protocols on the cultivation, collection and supply of raw materials.

3. CASE STUDY: EXPERIENCE IN CANTINE DI SAN MARZANO

In order to pursue the aim of research it is necessary identify characteristics that the supply relationships generate and particularly in this case study due to the relationship occurred between the property and the company we provide not only a theoretical framework but analysis about a successful case study in the Apulian landscape as well.

Particularly from the proposed operating approach perspective a primarily attempt will be made to understand if the operating mechanisms connected both to product management and to the control and coordination of the supply chain allow automatic adaptation to customer needs. The behavioral model has been observed with particular consideration of a specific entrepreneurial experience that today have to create mechanisms in order to activate relationships with its consumers through identifying their needs and finally contributing to increase trust relationships with them.

Cantine di San Marzano di San Giuseppe is located in the province of Taranto, representing a combination of productive and commercial skills: born in 1962 is clearly achieving several advantages in terms of competitiveness. Its combination is based on a shared Production Philosophy on the enhancement of native vineyards and on the control of wine quality whole the process from the vineyard to the bottle.

The experience of Cantina di San Marzano comes from the contribution of the 1200 members who in 2019 contributed by conferring about 190 thousand quintals of grapes reaching a

production of about 130-150 thousand hectoliters of wine. The success of the winery is to be attributed to its expertise in managing a fragmented portfolio of producers: on a total area of approximately 1,800 hectares the management of land is directly carried out by the winery regard an extension of approximately 120 hectares and about 55 hectares of vineyards of Primitivo, Negroamaro and aromatic white Malvasia.

Therefore, we tried to observe and appreciate the matter of relationships made with grape producers in order to incorporate them in a context following a coordination model useful for observation and analysis. The proposed model considers two determined variables in the identification and definition of the relationships: the *grade of management uniformity* and the *grade of information interaction* (figure 1), as items useful in order to observe the levels of coordination and control in the supply network.

The first variable defines the level of management uniformity of the activities carried out for each participant, focusing the attention on the type of raw material to be made, the techniques of cultivation of the vine, the definition of the treatments and the periods of intervention, the definition of the quality standards, the standards to be complied with for collection and conferment. The second variable related to the grade of participation in the process which influences the shared decisions concerning aforementioned activities and the process of sharing information concerning the state of the sector/industry and the related markets.

The proposed matrix summarizes our suggestions. Particularly the adoption of a long-term approach requires an activation of systemic relational mechanisms in which there are decisions taken according the participants decisions sharing following a bottom-up approach guided by the transforming company also able to manage a two-way information flow with contents ranging from productive variables to consumers requests and consumption choices.

Other types of relationships define cases that might be defined as rigid, when management uniformity is to be attributed to a power assumed by the non-shared guide company and that does not allow to optimize the potentialities of the participants; furthermore, unfinished relationships might be expressed when the production purposes are not shared and pursued while being compatible in sharing information.

Figure 1. Coordination and control in supply chain relationships

| | | | |
|-----------------------------------|------|---------------------------------|-------------------------------------|
| Uniformity Activities Grade | High | <i>Systemic relationships</i> | <i>Rigid relationships</i> |
| | Low | <i>Incomplete relationships</i> | <i>Market relationships</i> |
| | | High | Low |
| | | | Information Interaction Grade |

Source: our elaboration from Fait & Iazzi, 2012, 13

Market relations (fig.1.) are those in which the company who need for raw materials turns to the market indiscriminately versus anyone who does not have the possibility of long-term planning.

The experience of Cantine San Marzano highlights an unfinished path according the definition of systemic relations in the matrix, but in achievement phase following an empirical analysis. Relations with producers are characterized by a certain managerial autonomy which is mitigated by checks carried out by the winery on the territory and by scheduling of the conferment periods during which raw material is checked. The controls during the ripening phase are frequent. The management of the treatments and crops is defined by producer together with the agronomist of the company using “spy plants” equipped with technological sensors that continuously detect and send data to a central station that stores and processes return information and additional data allowing to pursue achieved results. Additionally, intense information exchange about the management of the crops and the choice of the type of vineyard might be considered.

The direct commitment of the company in the cultivation is carried out on a reduced area that allows the application of principles and practices not adoptable in hypothesis of cultivations carried out by third parties even when members of the cooperative. Particularly, the extension cultivated directly - around 350 hectares monitored, redeveloped and selected - aims to discover autochthonous productions and enhance them.

The total production reaches about 10 million bottles and the expected turnover for 2019 is 60 million euros, 70% of which is achieved thanks to exports to 76 countries (Germany, Switzerland, Japan, United Kingdom, Holland and Brazil in first place). Cantine San Marzano is one of the reference players in the Doc of the Primitivo di Manduria and in Puglia.

With particular regard to supply relations, currently management mechanisms might be ascribed to farmers’ capacities combined with those of the company, also considering the price recognized for the contribution, highlighting the need for a path yet to be completed, more complicated when in presence of the generational shift which between winegrowers is usually not easy. For this reason, the San Marzano management hopes adoption of increasingly and coordinated relational systems in order to ensure quality raw materials functional to the productions to achieve.

The company is currently engaged in a supply chain project in which the automation of production processes and relations with the end customer are provided and supported by useful tools such as Customer Relationship Management (CRM) platforms. The shared information platform (such as an ecosystemic platform) is able to ensure controlled management and continuous monitoring of processes. Additionally, the platform is also able to bring the productive reality closer to the consumer integrating technological, methodological and data tools in various segments of the supply chain. Consistent with this objective CRM is increasingly able to automate relationships with consumers, stimulating a greater involvement in construction of the final product (co-production).

4. CONCLUSION

The research carried out identified foundations on the role that aggregation and innovation might have when integrated in a customer-centered perspective as a driver of the competitiveness for wine companies.

According to this approach we observed both the activities useful for wine companies in order to enhance production and the characteristics that supply relationships must manifest, particularly in case of cooperative business models, to ensure adaptation to consumers' needs and therefore competitive capabilities for business.

Aggregation assumes this role when in a systemic perspective it synergistically combines critical company resources (such as organizational capital, productive potential, image and credibility and so on) with those of the actors with whom it is in direct relation without neglecting the primary role of the territory at which it belongs (i.e. agronomic and productive heritage, vocation, entrepreneurial culture, human factors).

Clearly, the proposed path must be completed with a second dimension, the innovation, which might be considered as a cultural, technological and marketing value.

Considering the competitiveness drivers analyzed, the adoption of the relationship study model might be a useful tool aimed to qualify prerequisites for growth in wine companies and interesting insights in order to define a path to follow for a correct setting. Additionally, the need to undertake an overall growth path undoubtedly cannot ignore innovation in both production and supply chains and therefore in consumers' relationships as well. This last aspect must not be neglected in a perspective of market analysis and monitoring in constant adaptation.

The application of the proposed model at the case study about Cantine San Marzano contributes to highlight how this company today is as a completing system considering supply relationships activated with those who represent the property. This is because some prerequisites such as production control, using technological sensors exist, while other ones, particularly related to aggregation might be opportunely coordinated, combined and controlled even more deeply and aimed to be oriented towards a customer-centered vision. However, the company is currently implementing new technologies that deal with aspects concerning control and transformation of raw materials, even considered production process including bottling and traceability contributing to identification, involvement and maximum consumers' care and satisfaction.

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