Marc Dressler

Sustainable Entrepreneurship



UVK

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Sustainable Entrepreneurship

A Guide to Strategic Business Management for Small Entrepreneurs in the Wine Industry and beyond

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Foreword

This guide to sustainable entrepreneurship targets business management students and practitioners. To that end, I have made every effort to make the book an enjoyable read of basic but compelling managerial theory and concepts and to provide readers with exciting and provocative good-practice concerning entrepreneurship and sustainability management. For in my experience, in order for a business of any size to achieve success, it is essential that its managers and executives maintain a strategic and sustainability mindset in their everyday practice.

The life expectancy of today's products, business models and companies is shortening and alarmingly brief. Forward-looking initiatives and operational agility are the keys to professional good practice in the realm of business management. This is especially true of small businesses, which can only achieve lasting commercial success over the long haul if their leaders regard improving the competence of their managerial practices and the implementation of strategic management not as a burden or duty, but rather as goals whose fulfillment will be hugely beneficial to their company and them personally. In addition, sustainability needs to be addressed with all entrepreneurial power – but it can be a strategic clue. And so, in the interest of inspiring you, the reader, to adopt this kind of mindset and set these goals for yourself in your daily practice, in this book I discuss and analyze a carefully selected series of management tools and methods that have proven their worth in practice, along with highly relevant illustrative examples of how these tools are employed in real-world settings. I have also included links to websites or videos (QR codes) that provide additional information and guidance in this regard and shed further light on the topics covered.

The business management material in this book mainly centers around the wine, drinks, food&beverage (f&b), and agricultural industries. My intention is for the examples from these industries that I cite and discuss in the book to provide new insights, fresh motivation and foremost impetus for strategic, sustainable management to practitioners in the wine industry and beyond.

About this book

Structure and pedagogic aims of the chapters

This book bases on my academic research, longstanding entrepreneurial experiences, classroom teaching at diverse universities, as well as my related management consulting activities. Thus, it is my hope that business management students, small to medium sized business entrepreneurs, and founders of startups will find in this book an up to date and practical guide to sustainable business management. Each chapter opens with definitions of key terms followed by a presentation of the basics of business management theory and instruments that relate to the subject matter of the chapter at hand. The discussed topics, approaches, concepts, and managerial insights are highlighted by illustrations, and using this as a springboard, I present related practical examples that shed light on the ins and outs of sustainable entrepreneurship. The key points of each chapter are emphasized by means of questions so that you can reflect and apply the content in your context. I have furthermore included various videos and links to websites that support and foremost illustrate the pedagogic aims of this book. The bibliography confines to those works that I have relied on and consulted the most in writing this book.

Advisory for students

- The illustrative examples that you will find in this book are to provide you with a sound basis for seeking practical solutions, possibly by adopting, in whole or in part, the actual solutions described in the examples.
- The QR codes that you will see scattered throughout the text contain videos that expose you to related material in a different medium and that contain additional valuable insights into the subject at hand.
- For further reading on any of the topics discussed in this book, see the bibliography.
- If you are studying for an exam whose subject matter is relevant to the subject matter of this book, you may find it useful to study the practical examples, as well as the highlightening questions.
- The questionnaires that accompany this book can be used by business management students either based on companies that the user is already familiar with, or via a case study for purposes of simulating and developing your own business models.
- Be motivated to access and read relevant literature provided in the bibliography to delve more deeply into subject matter of your interest.

Advisory for practitioners

- This guide builds upon theory, frameworks, and instruments that hopefully enrich your managerial decision-making being presented in a motivating and “easy-to-use” manner.
- My hope is that you will find the practical examples in this book both informative and inspiring.

- I have found that such examples encourage practitioners to reflect on their own approach to sustainable entrepreneurship – specifically in terms of the following question: What are the takeaways from the material in this book for my industry and my enterprise?
- The purpose of the various questions concerning good entrepreneurial practice that you will find throughout this book is to provide further clarification about the book's core themes and information.

Advisary for instructors

- The questionnaires I have provided are meant to serve as a basis for instructors in devising questions for their own exams.
- The case studies can serve as a basis for class discussions.
- The videos that shed light on the various topics covered in this book allow instructors to employ a range of media in the classroom that will encourage student participation in classroom discussion.
- Contact the author for supportive material.

About the text

In cases where personal prounouns come into play, I have decided to use the pronoun for reasons of simplicity. However, it should be noted that in the realm of entrepreneurship diversity in general and especially gender diversity is of utmost importance. The time when the wine industry was predominantly a male endeavor is, fortunately, no more. The industry has benefited greatly from the fact that many women are now vintners, run wineries or both. This applies not only to gender, but also to diversity in all aspects. Direct citations, if not written in English, have been translated to best reflect their essence and still marked as direct quote.

Encyclopedic definitions and brief explanation of key terms are framed in a box.

The practical examples and cases either in the text or marked as illustration are based on company´s websites, citing journal articles, or other media. Sources are provided in the appendix "examples and business illustrations".

About the practical examples

The practical examples and short case studies you will find in this book are in the interest of shedding light, in an entertaining fashion, on the practical aspects of the material I'm discussing. In some instances the "classics" have been included and in others I've used less famous but to my view interesting examples because of high fit to the topic at hand, or because they provide vital additional insight into topic in question. It should be noted that my having included this or that practical example in this book by no means constitutes or implies an endorsement or value judgment of any kind concerning the company refered to. I would also like to take this opportunity to thank all the entrepreneurs, colleagues, publishers and holders of rights to images for allowing me to cite and to refer to or reproduce their material.

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1 Why is sustainable entrepreneurship so important in today's world?

Entrepreneurship – in the sense of socially responsible, goal-oriented stewardship of a business enterprise to ensure its long-term viability as a going concern – is not something that occurs as a matter of course. All businesses, whether large or small, are subject to rapidly evolving business climates, changing market related factors, caesural external environments, and limitations inherent in any innovation or other initiative that a business's leaders might decide to undertake. In order for stewardship to have the desired effect, it needs to exhibit nimble flexibility that is alert and responsive to the whole spectrum of options and possibilities. Business governance and operational management are taking on growing importance in the realms of both training and hands-on practice, especially in sectors consisting predominantly of small businesses. Although innumerable books and articles already exist containing extensive and detailed discussions of countless aspects of business management and stewardship, I strongly believe that a book is needed that addresses the practical, hands-on side of entrepreneurship, and that provides a how-to guide for strategic entrepreneurial sustainability management, particularly for small businesses.

1.1 Strategic management for entrepreneurs and small businesses – new wine in new bottles?

Although business management is a relatively new academic discipline compared to natural sciences, thousands of books and articles on the subject have already seen the light of day. My purpose in writing this book is to provide both business managers and business management students with a practical guide to strategically oriented governance of small businesses. This book targets **at current and future entrepreneurs and company executives**. In small businesses, such individuals know just about everything there is to know about their company's product and service portfolio, and this detailed knowledge is a key motivator. Entrepreneurs are highly skilled when it comes to the technical and hands-on dimensions of their products but sometimes lack in the managerial skills department. This applies in particular to relatively complex and intermeshed business management tasks involving strategizing, achieving and maintaining sustainability, and promoting innovation – all of which can prevent a business from achieving a harmonious and coherent organizational design and all of whose parts intermesh smoothly. This book, which is based on the real-world and empirical elements that go to make up a business enterprise, focuses on the practical side of business management – and I believe, will help you to manage your business in a more goal-oriented fashion than ever before.

Small-size enterprises are companies with fewer than 50 employees, and medium-size enterprises are ones with fewer than 250 employees. Micro-companies employ up to 10 employees. The economy of the European Union strongly depends on small and medium enterprises (SME) and EU expresses a vested inter-

> est to foster entrepreneurship: SMEs make up for 99% of the businesses and safeguard growth and innovation (Commission, 2018a). Equally, family ownership nurture welfare (Gottschalk et al., 2019): 60% of the European enterprises are family owned (Commission, 2018b)

Writing a guide on sustainable entrepreneurship targeting at leaders of small and medium enterprises (SME) can also be justified by their value creation. Small-business entrepreneurs play a pivotal role, particularly at the local level, when it comes to job creation and keeping supply chains running smoothly.

An economy in which **entrepreneurship** is a major force tends to come up with workable solutions to the challenges facing society, and in so doing makes a major contribution to social progress. Furthermore, an economy characterized by a robust **small-business** infrastructure profits of **strategic diversity**, this will tend to create a kind of built-in firewall against economic risk. Indeed, the actual but ongoing discussion whether for example banks should be limited in size to avoid major financial turbulence and economic crises in case of mismanagement of individual players illustrates the risks of an economy dominated by large multinationals. Social and political hazards tend to be far more prevalent so that government regulators set limits to the market dominance that may result from a proposed merger and acquisitions deal involving major players in a given industry, and sometimes prohibit such initiatives. Nevertheless, it continues to be the case in the current economic climate that advocates of government intervention in the affairs of large corporations argue that such companies are **too big to fail** and must be rescued at all costs. This, however, undermines the risk diversification that is held in such high esteem by so many entrepreneurs and private investors. An economy characterized by market structures comprising myriad and thus relatively small entities fosters risk diversification. Diversity in these realms, whether it be for product and service portfolios, or providers themselves, should be regarded as being in the national interest in the economy of any advanced industrialized nation. Diversity is one of the main levers of sustainability in that it fosters experimentation, improvisation, nimbleness, and capitalizing on any opportunities that may arise. For small businesses, strategic entrepreneurship is the key to the optimization of both professionalism and these companies' future prospects – especially in an era, such as ours, where all businesses, but especially small ones, face unprecedented challenges.

> Press article about Swiss bank **UBS** taking over the rival **Credit Swiss**: "Too big for Switzerland? Credit Suisse rescue creates a bank twice the size of the economy. Worries that Credit Suisse's downfall would spark a broader banking meltdown left Swiss regulators with few good options. A tie-up with its larger rival, UBS (UBS), offered the best chance of restoring stability in the banking sector globally and in Switzerland, and protecting the Swiss economy in the near term. But it leaves Switzerland exposed to a single massive financial institution, even as there is still huge uncertainty over how successful the mega merger will prove to be. There are also concerns that the deal will lead to huge job losses in Switzerland and weaken competition in the country's vital financial sector, which overall employs more than 5% of the national workforce, or nearly 212,000 people." (Ziady 2023)

Many entrepreneurs and small business owners frequently find use of the tools associated with strategic management daunting and are prone to avoid using such tools altogether. If you ask a **small-business owner why they tend to shy away** from strategic management, they will often tell you that they simply lack the time to reflect upon, much less deal with, whatever might be coming down the pike; or they might make the argument, by which they of course mean that plans can and often do go awry. But given the ever-growing **intensity of competition** in today's economy small businesses have to figure out how best to (1) persuade both current and prospective customers to engage with their products; (2) communicate what makes their products special, unique and desirable; (3) convey why their products are eminently affordable; (4) persuasively argue that their products are durable and their business model sustainable. Small business owners are forced to determine the keys to lasting long term success – the essence of strategic, sustainable management. Unlike large corporates, small businesses generally lack a strategic-planning department or task force, and this in turn severely limits their risk capacity. My goal in this book is to propose tried and true business management methodologies and highly relevant practical examples to help SME owners, managers, as well as students, to **acquire managerial skills** that they see the process of shaping the look, feel, culture and operational aspects of their organizations as enriching, from both a personal, professional and bottom-line standpoint. In doing so, I place emphasis on the nuts and bolts of **strategizing** and strategy implementation, as well as efforts to render a given business as sustainable as possible.

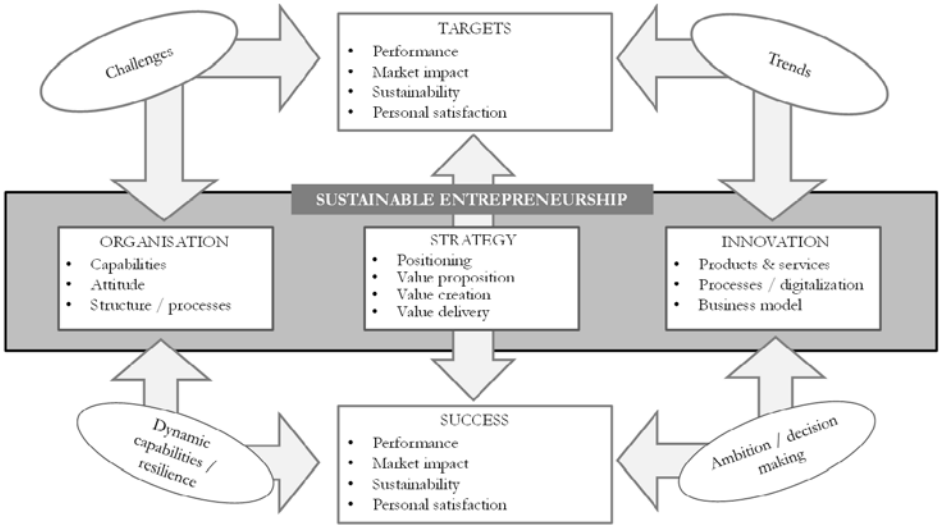


Figure 1: Sustainable entrepreneurship – overview

The **wine industry** hereby serves as a kind **of illustrative case** industry because of certain specific facets. For instance, the German wine industry as well as other European neighbor wine sectors is composed of **myriad small businesses** and the attendant personnel, and the activities of these organizations create jobs, and help to sustain and support countless infrastructural and institutional elements that make life worth living, while also making a substantial contribution to landscape beautification.

The indirect effects of regional wine industry activities on suppliers, tourism and the like multiply by an order of magnitude the added value generated by the industry. The wine industry – by virtue of its multifaceted production and marketing activities – has a direct effect on regional economies, primarily via vintners (through regional value creation). But wine also has an indirect effect as a lever of value creation in the food and beverages, tourism and agriculture sectors, in the business sector in general, and as a consumer of manufactured goods. It is notable that although only 1 percent of Germany's arable land is used for vineyards, the wine industry accounts for more than 7 percent of Germany's GDP, value creation, and tax revenue. Although the management challenges discussed in this book are illustrated refering predominantly to the wine industry, they are much the same for small businesses in **other sectors and industries**. Wine has been around for a **very long time**, a "track record" that is in and itself redolent of **sustainability**, in the truest sense of the term. Wine is **impacted by climate change** and therefore wineries cannot neglect sustainable management practice in their own interest. Wine pops up in a **broad range of sectors**, such as food and beverages, agriculture, alcoholic drink, consumer products of various sorts, luxury products, durable goods, and asset alternative for investments. Nowadays, wine production involves the interplay of traditional and modern elements. Producing a bottle of wine is a **complex** undertaking. Customers can choose from cheap products to very high-priced wines. Exhibiting an increased interest in going **back to nature**, working the land, and producing an experience good can be stilled by wine. Creating a business out of a culturally rooted, complex natural product serving enjoyment and winning consumers in a highly competitive environment requires managerial professionalism –from small wine production to a large scale businesslike manner. The examples presented in the book are just that – **examples**, and the attendant solutions are applicable to other sectors. One of the main advantages of referring to the wine industry is that wine is a product that is **beloved of many** as a hedonistic enjoy, and wine industry actors tend to earn **highest respect** of their peers and society for their skills and acumen.

In writing this book, I have consulted much of the relevant theoretical and practice-oriented literature. The main sources upon which the book is based can be found in the **bibliography**, which also contains suggestions for further reading. This book also reflects my extensive research (and is thus based on the tenets of empiricism), in the ambition to be fruitful valid for the day-to-day operations of small and medium sized businesses.

> **Empiricism** is an epistemological view that holds that true knowledge or justification comes from sensory experience. Empiricism emphasizes the central role of empirical evidence in the formation of ideas, rather than innate ideas or traditions. Empirical work emphasizing experience especially of the senses or the practice or method of relying upon observation, experimentation, or induction rather than upon intuition, speculation, deduction, dialectic, or rationalistic means in the pursuit of evidence.

Since 2012, I have been conducting **online surveys**, once every two years of strategy and innovation in the German wine industry. My findings from these surveys and many additional market research and projects in the wine industry and outside provide "hands-on" empirical support for the various assertions I make on all matters and

all of the topics discussed in. Apart from the insights and graphics you will find in this book based on the surveys, I also cite and discuss a great many examples from actual research and practice. It is my hope that this emphasis on the **practical side of strategic management for small businesses** in general and the wine business in particular, will inspire you, the reader, to identify and capitalize on opportunities that arise to reshape and optimize your entrepreneurship and entrepreneurial success.

1.2 The long view in challenging times

According to the French author Victor Hugo *"... the future has many names: For the weak, it means the unattainable. For the fearful, it means the unknown. For the courageous, it means opportunity."* Human beings have the capacity to **learn** not only from the past, but to **anticipate** and shape the course of future events. Admittedly, no one can make exact predictions concerning such events, but attempting to make forecasts about what's coming down the pike isn't necessarily the sole province of futurologists. For in point of fact, imagining what might occur within a certain time frame and the implications of such events is absolutely essential for entrepreneurial success – and above all the sustainability – of any business. This holds true in particular for eras such as our own where rapidly unfolding trends, fundamental change on a global scale, and tectonic socioeconomic change become the norm rather than the exception. These phenomena include, to mention only a few, globalization, climate change, technologization, digitization, market concentration, and ever-changing moral and social values. Covid-19, wars, as well as natural catastrophies such as floodings with disastrous collateral results for businesses and human populations, clearly show that crises can have a profound impact on economies, and our social and ecological environment.

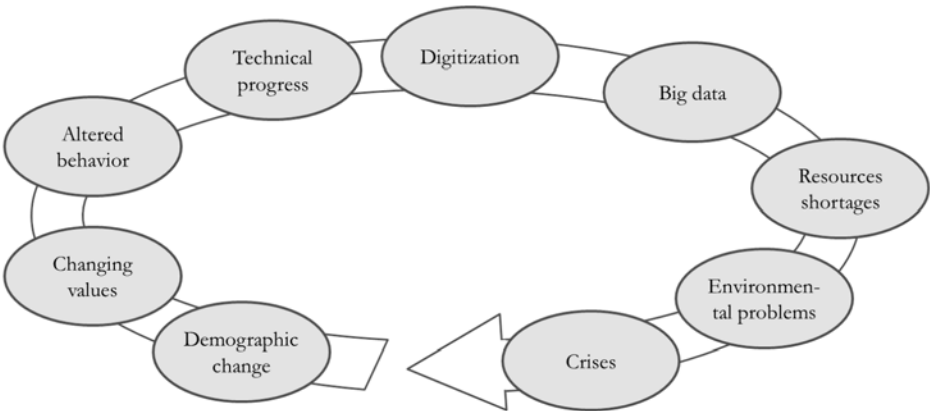


Figure 2: Illustrative drivers of an external environment in constant flux

One of the most visible effects of rapid change are **shortened life cycles**, not only of products but obviously many businesses are short-lived. In 1920, the average lifetime of publicly held American companies was 67 years, whereas today it amounts to a mere 15 years (Foster 2012). As the famous economic Joseph Schumpeter postulated in the shortened phenomen of "**creative destruction**" in the first half of the 20th century by related principles: (a) The destructive power of innovation is a sine qua non for social change; and (b) in order for the requisite developments to unfold, the

ability and willingness to change is indispensable. In our era, Covid is wreaking havoc in a whole host of realms, including massive losses of earnings in the food and beverages industry, and has at the same time spurred unusually rapid growth and other changes in areas such as e-business. The war in Ukrainia propelled energy costs and in the following prices in general, resulting in bankruptcy of many businesses. Indeed, for years now, we have been seeing far-reaching structural change in the agricultural sector and the craft with a drastic **decline in the number of businesses**. These tectonic shifts in the business climate are engendering ever greater challenges for business leaders, having weathered one challenge successfully but immediately facing the next potentially shocking desaster.

> "It is perhaps unsurprising that the country where people live the longest is also home to some of the oldest companies in the world. In Japan, there are more than 20,000 companies that are more than 100 years old, with a handful that are more than 1,000 years old. The list includes **Nissiyama Onsen Keiunkan**, a hotel founded in 705. There is even a specific word for long-lived companies in Japanese: shinise. So what is the key to their longevity? Professor Makoto Kanda … says that Japanese companies can survive for so long because they are small, mostly family-run, and because they focus on a central belief or credo that is not tied solely to making a profit. Local factors could be another key to their success … and they benefit from a corporate culture that has long avoided the mergers and acquisitions that are common among their Western counterparts." (Gittleson 2012)

Tab. 1: Oldest still existing companies (wikipedia 2023)

Year	Company	Current location	Field
578	Kongō Gumi	Japan	Construction
705	Nishiyama Onsen Keiunkan	Japan	Hotel
717	Koman	Japan	Hotel
718	Hōshi Ryokan	Japan	Hotel
771	Genda Shigyō	Japan	Paper
803	St. Peter Stiftskulinarium	Austria	Restaurant
862	**Staffelter Hof**	Germany	Wine
864	Monnaie de Paris	France	Mint
885	Tanaka-Iga	Japan	Religious goods
886	The Royal Mint	United Kingdom	Mint
970	Nakamura Shaji	Japan	Construction
1000	**Château de Goulaine**	France	Wine

Apart from the burdens imposed by such untoward developments, the tendency (and need) engendered by crises such as Covid to create and operate with a sense of urgency has become a lever of social change. An increased sense of urgency motivated new product and service portfolios that have become available, and the new providers that have entered a broad range of markets. Technological progress and change occasioned by digitization and the like is opening up new opportunities for business concepts and **startups**.

> *WineJump is a new direct-to-consumer marketplace launched in March 2020 across Europe.* ***WineJump*** *changes the way you buy quality wine and changes how much you pay for it, too: "Thomas Winther couldn't have picked a better time to launch his new winery. Just a few days before the advent of Covid, the Danish-born Winther's startup known as WineJump went live online. The online wine business enables people to order wine from wineries throughout Europe, and Winejump earns a one-euro commission on each bottle of wine sold. "Given the mammoth change Covid has wrought in consumer purchasing behaviour, I wouldn't be at all surprised if the German e-commerce wine market didn't double in size over the next five years,"* Mr. Winther said." (thehub.io 2023 & Hüfner 2020)

Startups often origin in **self-realization**. In some cases, their new concepts initiate paradigmatic shifts that appear to unfold at the speed of lightning and can render former business models obsolete just as quickly. Ideally, a new venture comes up with a great idea. But in order to achieve success, the startup must be infused with entrepreneurship from the moment of inception – which is why only about half of all startups make it through the first four years.

> "The world's preeminent hub for technology, **Silicon Valley** is a byword for innovation. Today, it is home to the headquarters of many of the world's largest high-tech corporations, including more than thirty businesses in the Fortune 1000 as well as thousands of promising startups. Further, Silicon Valley accounts for one-third of venture capital investment throughout the USA." (Athanasia 2022)

Hence, it is vital that the practicality of the manner in which a startup's concepts are to be implemented, and the ideas underlying this implementation, be validated early on. Sustainability should be a **touchstone** for new business concepts, for such are oftentimes the raison d'être of a startup. In Germany, every fifth startup deals with the protection of the climate or the eco-environment, out of a desire to make a positive contribution to safeguard the future of our planet.

> Video link: **Earth Day 2022**: Creating a sustainable food future - YouTube
> https://www.youtube.com/watch?v=L3EKwZPAHGo

In order to be viable, entrepreneurship, whether for startups or for well established companies in increasingly competitive markets, needs to be forward-looking and agile in everything the company undertakes. **Agility** goes beyond meeting short-term demand to ensure *strategic* flexibility. In order to achieve this, a company must be willing to (a) **make decisions, despite uncertainty** about future events; and (b) **rethink and revisit their decisions** whenever doing so is necessitated by external circumstances. An agile company will have the ability to change course whenever its current path turns out to be a dead end. Hence, instead of withering on the vine by adhering to and detailed five- or ten-year plans, strategic management should be based on close observation of all aspects of the company's business environment, capitalizing on opportunities the moment they arise, and entrepreneurial risk management. Taking action in a proactive and anticipatory fashion is a sine qua non for sustainable business development.

Entrepreneurship can potentially pave the way to a secure and successful future for a company, provided that the company recognizes the relevant opportunities and challenges in its market and implements the measures necessary to achieve its goals. But to do this, a company needs to be willing to take risks. By taking strategic action and

acting strategically, a company can **synchronize** its strategic goals and measures, position itself competitively, manage innovation adroitly, and implement measures aimed at achieving long-term sustainability and robust organizational development. This approach fosters **organizational adaptability** in a dynamically evolving business environment, which is vital if a company is to prosper over the long term. Such an approach can often be catalyzed by a sense of urgency brought on by crises such as Covid-19 or skyrocketing energy prices. Particularly in times of far-reaching change, agility ensures that a company will keep a watchful eye on the big picture and will achieve the resiliency necessary to survive over the long haul. For small businesses, this task is an essential part of entrepreneurship – a task that can be successfully achieved through use of the tools described below, which revolve around asking certain questions, adopting certain mindsets and robust input from the relevant actors.



„After years of historic drought in California, USA, water recycling has become a pressing issue – but just how much can be done with what we've got? A water-recycling company is seeking to answer that question, with help from a local brewery. The result is a beer made from wastewater, and … it's pretty good. Epic One-Water Brew, from **Epic Cleantec** and **Devil's Canyon Brewing** Company, is made from greywater recycled from showers, laundry and bathroom sinks in a 40-story San Francisco apartment building, where Epic has onsite equipment to capture, treat and reuse water for non-drinking purposes. "We wanted to do something fun that was going to be an engaging tool to talk to people, to get them excited, but also that showcased the untapped potential of water reuse, … a kölsch, a beer that was going to be sort of more universally liked. A lot of times at a brewery, you turn on the tap and whatever water you get, that's what you brew with. In our case, we have so much control over the treatment process that we were actually able to treat to tweak some of the steps to give the brewers a blank canvas. We're in the 21st century, with all the technological capabilities that we have at our disposal. The fact that we are still reliant on whether or not it rains to know if we'll have enough water for our communities is a problem." (Cantor 2023)

1.3 Sustainability: a key driver of social change

In defining the term sustainability, a good place to start is with a bare-bones definition that equates sustainability with **longevity**. In books on business management, sustainability is often defined as a company seeking to achieve constant surplus return on investment. However, such a reductive take on sustainability will invariably translate into merely superficial sustainability. Today's lifestyles and the economy that supports predominantly justified by surplus or excessive growth are jeopardizing the future of humanity and our planet, whereby climate change is only one example of the role of the business community in this regard – against longevity. In light of the incessant destruction of non-renewable resources that is taking place on a daily basis, sustainability is defined nowadays as meaning that **current actions should not place an undue burden on future generations**.



Felix Salm

32nd Generation winemaker

The PR of **Prinz Salm** winery makes an explicit reference to more than 30 generations of winemaking – a marketing claim that takes its cue from the most fundamental, *intergenerational* connotation of sustainability.

This claim conveys in exemplary fashion the more than 800-year company history of the Salm-Salm family, a period during which know-how and experience were accumulated and certain values were adhered to.
Dr. Wehrheim winery´s vintner **Karl-Heinz Wehrheim** views the heritage of the family's winery in this same sense, i.e., not as a mere transfer of assets from generation to generation, but rather *"... as a duty to uphold certain values and assets for the benefit of future generations"*.

The concept of sustainability is frequently traced back to German forester named Hans Carl von Carlowitz (1645-1714), who posited that cutting trees is to be limited to the future growth. He thereby is regarded as the father of sustainability as the pursuit of ever greater profits was banned for ecological reasons, and the avoidance of clear-cutting was enshrined as a social good. It was not until the 1970s that concerns about resource use and depletion came to the fore. Fears of planet death by anthropomorphic activity were exacerbated by the oil crisis, and by widespread famine. A 1972 Club of Rome titled ***Limits to Growth*** warned that the Earth's resources are limited and mismatch the population growth and economic growth ambitions. Another milestone in this regard was a 1987 book issued by the UN called ***Our Common Future*** (also known as *The Brundtland Report*), which placed environmental issues firmly on the political agenda. It advocated elevating "sustainability" to the status of guiding principle in the interest of **making the world safe for all human populations**. It was also during this period that the term **corporate social responsibility** became a maxim of commitment to factor the good of society as a whole into all of their strategic ambitions and measures.

Corporate Social Responsibility (CSR) effects as voluntary social commitment supported by the company. Companies engage in social activities, employees get involved in charitable projects, companies support disadvantaged groups or finance projects to increase social justice.

The focus of the 1992 United Nations Conference on Environment and Development (also known as The Earth Summit) in Rio de Janeiro was climate policy. Fridays for Future (#FridaysForFuture), a youth-led and -organized movement which began in 2018, is a prime example of how change can be brought about via social activities. The need to take action against global warming has thereby become part of the mission of many companies, also thanks to the results of scientific research that support this concept. **Ecopreneurship**, an offshoot of research on entrepreneurship, has become a major presence in the agricultural realm, thanks to the growing number of organic farms. The food processing and agricultural sectors are a force to be reckoned with when it comes to the realization of ecological aims. The EU is setting the standard in this realm via its groundbreaking and ambitious initiative known as the **European Green Deal**, which seeks to minimize the ecological effects of agricultural activities, e.g., halving the pesticides until 2030. The goal the German government of expanding the organic farming sector to encompass a minimum of 25 percent of arable land by 2030 will greatly increase the number of German growers required to switch to organic farming, given that only 10 percent of Germany's arable land is farmed organically at present. This also holds true for the German winegrowing industry, which has a lot of catching up to do when it comes to ecologically sound farming. Sustainability embeds eco-friendly business processes with social and economic practices.

Sustainability is defined as a paradigm wherein actions realized in the present day will not impose a burden on or be harmful to future generations. This approach takes the form of durable, parallel and synchronized action aimed at achieving and supporting **ecological**, **social** and **economic** goals, which are the **three fundamental pillar**s of sustainability.

Sustainable entrepreneurship addresses the **economic pillar** via economic stability and performance, as well as a company's reliability and long-term orientation. The **social dimension** of the three-pillar paradigm pertains to whether a company provides its employees with good working conditions, secure jobs and fair salaries and their practices of social responsibility. As for the **ecological aspect**, it hinges on the judicious use of finite resources; environmentally sustainable technologies; and the environmental sustainability of products and services produced. Given that the three-pillars of sustainability are relevant for all value-producing activities, it behooves all entrepreneurs to adroitly and responsibly manage, monitor and as far as possible exert control over the repercussions of their activities, and to seize upon opportunities to optimize the sustainability of their organizations and actions.

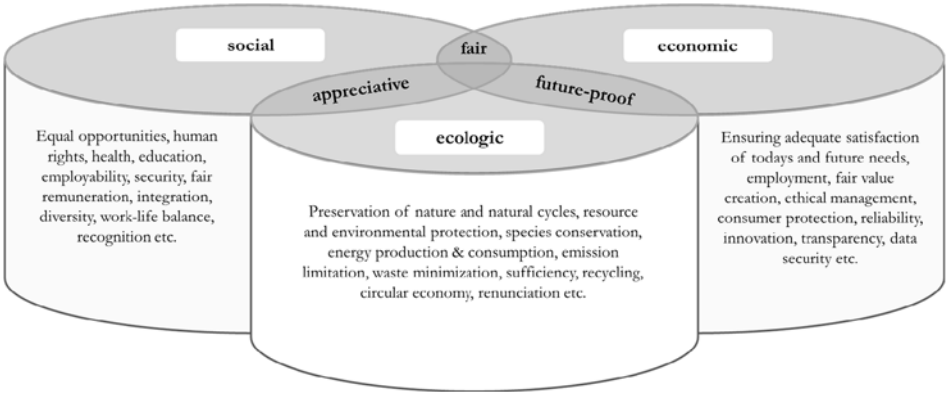


Figure 3: The three-pillar sustainability paradigm

The United Nation has obligated itself to promote sustainable development globally via seventeen social goals. In many countries and for a lot of institutions these goals build a strong manifest for their strategy and operational measures. Germany´s sigend political strategy "Agenda 2030" for example, promises to home and to implement these goals by revamping the relevant structures and by bringing about change in the relevant mindsets and behaviours. Indeed, many sectors have taken positive action in response to the agenda (e.g., the German food and beverages industry association). Thus, the growing relevance of sustainability is embodied by more than just policy goals or guidelines for any given industry.

Because sustainability is a factor that influences **purchasing decisions**, it is taking on ever greater importance for consumers, and is prompting businesses to use it as a criterion for their product-line decisions as well. The New Zealand winegrowing industry has even gone so far as to make sustainability the main theme of their nation-

wide public relations and positioning. The fact that policymakers, businesses and consumers are increasingly insisting on the centrality of sustainability for their endeavors is placing increasing pressure on manufacturers to toe the line in this regard, while at the same time furthering the cause of sustainability.



Figure 4: Overall objectives for the achievement of sustainable development (www.un.org)

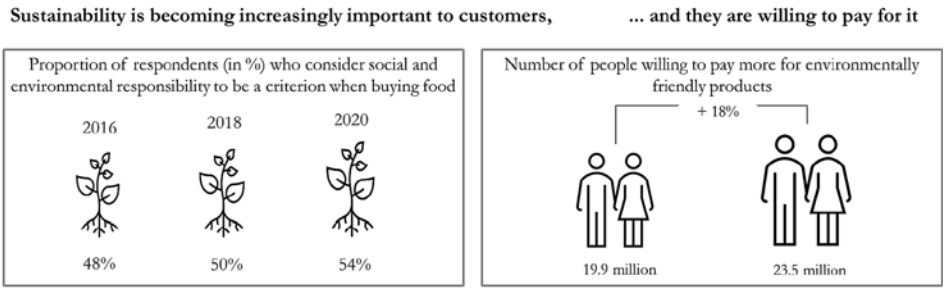


Figure 5: Impact of sustainability on the attitudes of German consumers (*Handelsblatt* 2020)

However, the mere fact of adopting this or that government policy will not and cannot bring about across the board sustainability. This is due to a number of factors and the constraints to which they give rise: the complexity involved; the limited reach of the implications of any given initiative; and the fundamental behavioural changes involved. Implementing across the board sustainability is in fact a goal that it behooves our society at large to achieve over the **long haul**, and with **lasting effect** and **attentive, avid stewardship** – an effort to which each and every individual and specifically enterprises need to contribute. Writing this book was highly motivated by the conviction that sustainability can only be achieved when individual behaviour

and all managerial decisions are determined by contributing to sustainability. Sustainability must become part and parcel of all actions and thinking, neither depending on being private person or company, nor the size of a given enterprise, nor by the phase a given business happens to have reached in its lifecycle. Existing companies will need to adapt their business models to the tenets of sustainability, which should also form the basis for the core concepts of businesses startups. As for handing-over companies, mergers and acquisitions, they, too, should make sustainability a central principle.

> The **Ben and Jerry**'s website provides this pithy account of the company's "*humble beginnings in 1978: With a $5 correspondence course in ice cream-making from Penn State and a $12,000 investment ($4,000 of it borrowed), Ben and Jerry opened their first ice cream scoop shop in a renovated gas station in Burlington, Vermont.*" From the very outset, Ben and Jerry made sustainability (a concept that was virtually unknown at the time) a core tenet of their business practices (e.g., "re-using" a gas station as ice cream store or donating part of the profits of their Rainforest Crunch ice cream to reforesting the rainforests). As pioneers of corporate social responsibility, Ben and Jerry's, no more than a blip on the radar screen of the ice cream market at the time, was able to set new standards in the ice cream industry despite competing with the major ice cream brands.
>
> **One Hope Winery** was founded for the express purpose of making the world a better place. The company describes its avowed goals in these words: "*Selling wine on a mission to change the world. Disrupting the wine industry. Building a Force for Good.*" One Hope supports many charitable causes.
>
> The business concept of the startup German winery **17morgen** is clearly based on sustainability: *"A fresh start (...) with innovative, groundbreaking approaches, in harmony with nature."*
>
> The desire to bring about sustainability also motivates well established wineries. For example, **Meyer-Näkel**, a German winery now in its fifth generation of family ownership, states the following: *"Sustainability is a pivotal concept for our generation, for it is only through sustainable business practices that we will be able to preserve and protect our winegrowing activities and the ecosystem of Germany's winegrowing industry – and thus our very lives and the lives of future generations."*
>
> Sustainability can also be a powerful lever for changing the face of existing wineries or implementing a new business concept. The German winery **Weingut Grünewald & Schnell** lives and breathes sustainability, a concept that it has pioneered and in so doing has shared the entirety of its own experiences and thinking about sustainability with other wineries but shared as a network initiative (Netzwerk Nachhaltiger Wein) to promote the implementation and propagation of sustainable winery management.

In order for sustainability to serve as a **guiding principle for business activities** and avoid being reduced to a mere **marketing ploy**, it needs to be seen as a necessary business management goal and at the same time as operational endevour in daily real-world implementation. To this end, the implementation of sustainable entrepreneurship needs to (a) be embedded in a company's strategic orientation; (b) become part and parcel of a company's day to day operations. Managing this balancing act is a business and personal challenge for business owners and operators.

2 Wine – an industry perspective

People tend to be intrigued by **wine**, though it's a topic that can also be controversial, if not downright polarizing, because when all's said and done, wine is an alcoholic beverage. Wine has been an integral part of the cultures of many nations and peoples, and at the same time it is also a commercial product that produces value in the context of cross-border competition – in beverages but also wine & tourism. Vinification is a multi-facetted phenomenon, encompassing as it does **agricultural** management, a complex production process involving physical, chemical and logistical processes. Wine production thereby demands to cover the realm of consumer goods, the **food and beverages industry**, and the **luxury-goods sector**. Indeed, wine connoisseurship often has high social admiration. All of this opens up tremendous opportunities for current and future entrepreneurs from the winegrowing and other industries, when it comes to achieving robust sustainable entrepreneurship and to spurring the quest for entrepreneurial realization.

> *"Wine is more than just a beverage. (...) It is an integral part of Europe's culture and history, a lifestyle unto itself. But for all that, nowadays wine is no longer a vital need, the way it once was in the not-so-distant past, for clean and safe drinking water serves the same basic hydrating and thirst-quenching purpose and involves only a fraction of the cost of a bottle of wine. Which means that wine is something that inherently involves the wish or desire to drink this specific beverage, and thus is by definition a luxury product and in some cases a lifestyle item, whose main virtue is the effect it has on the consumer."*
> Dirk Würtz, influencer, wine blogger, winemaker, and winery owner
> (Wüst 2017)

2.1 Wine – a product with a history

Archaeological finds from antiquity have shown that wine was being produced as early as 6000 B.C. in regions that are now the Middle East, or in Europe Georgia and Armenia. Evidence was found for Celts in the Mosel region of Germany having produced wine as early as 500 B.C. In the oldest surviving text of a Roman Germania law (Lex Salica), grapevine theft was classified as a crime. Production and consumption of wine spread to Roman civilization. During the era of the Roman emperors, wine was the most lucrative product of Roman trade in Roman Germania. In later years, viticulture was primarily the province of the Church and Christian monasteries, especially via the Cistercian orders and monasteries that were founded in Burgundy spreading winemaking know-how to their sister-monastaries and cross-borders. For **monasteries**, wine was a commercial product and strong lever in making these institutions financially viable. The winegrowing know-how developed in monasteries helped to improve the quality of wine – a phenomenon that still can be traced in modern-day Germany via the now obsolete term *cabinet*, which referred to the storage room for the monks' best wines. However, winemaking was also practiced in secular society. During the Middle Ages, the amount of wine produced reached a new high, at least partly owing to christian ceremonies, claims that wine had health benefits, and the impurities of drinking water. But viticulture has also known tough times. In addition to two world wars, economic crises and winegrowing industry missteps such

as the antifreeze (diethylene glycol) scandal, viticulture has been hit by devastating diseases – the most notable one caused by the aphid phylloxera in the mid 19th century. The pest was introduced by botanists importing specimens of American vines in the 1850s. Phylloxera is native to North America where native grape species are at least partially resistant. By contrast, the European wine grape Vitis vinifera is very susceptible to the insect. Etimates are that the epidemic devastated between two-thirds and nine-tenths of all European vineyards. However, such setbacks have not prevented wine from being enjoyed as a **cultivated indulgence** – a trend reflected by various wine related festivals and other events, an expression of wine pleasures as key ingredient in social gatherings and celebration. In many developed countries with higher level of wealth, wine belongs to a modern style of living, and it is interpreted as more cultural and stylish alcohol consumption.

> One of the most renowned vintages in the history of German wines was the year 1811. **Goethe** wrote a poem in which he raved about the qualities of *Elfer* (i.e., Elf = German 11) wine and **Mendelssohn** set the poem to music in his *Türkisches Schenkenlied* op. 50/1: *Don't put the jug down so roughly in front of my nose, you brute! He who brings me wine should give me a friendly look, lest the Elfer wine clouds up right in the glass.*

Wine is a beverage that results **alcoholic fermentation**, a biological process by which sugar in fruits (fructose) with the help of yeast is converted into alcohol (ethanol) and carbon dioxide. In this book, the term *wine* refers to the beverage made from the common grape vine as varietals of vitis vinfera, which is the type of grape used for the vast majority of worldwide viticulture. Not neglecting that there are wine products of different fruits (e.g., cherry or apple) or grains (e.g., rice) with oftentimes regional, cultural roots. An illustration in this regard is constituted by apple wines, which are highly popular as a product known as *cider* (in Anglo-American countries) or *cidre* (in the French region, especially of Brittany) but also manifest in a characteristic drink for the German Main region and in Frankfurt (known as *Äppelwoi* or *Äppler*).

Of the more than 20,000 grape varietals, only around 15 percent are for wine production. By dint of various chemical and physical processes and the attendant stages of vinification, cultivated grapes are used to produce wine as a good of high emotional value – reflected by the fact that the price of a bottle of wine can range from less than €2 to exceed €10,000. Wine judgement depends on personal preferences. Wine represents a product of experience affected by vintage year, storage conditions etc. Final quality assessment of wine hence requires consumption. Fine (i.e., pricey) wines have also developed as **asset category in finance**. The same goes for wineries themselves. Hence wine, apart from its basic function as a pleasurable beverage, is closely associated with the agriculture sector, consumer goods, portfolio investments, and luxury product.



Figure 6: The Liv-ex Italy 100 Index

Wine is divided into quality **classifications**. The underlying idea is to inform consumers about the characteristics of the wine based on the concept of "**terroir**" which refers to the complex interaction of the local factors' microclimate, soil, geology, hydrology, sunshine, grape variety, and region and/or country. The European Union has defined a classification based on origination that distinguishes wines of protected designation of origin and of protected geographical indication:

EU (wine) quality schemes identify or referring the name of a region, a specific place or, in exceptional cases, a country,

- **Protected designation of origin (PDO)**: a product whose quality and characteristics are essentially due to a particular geographical environment and which must be produced within a determined geographical area using recognized and recorded know-how. All wine products with PDO status must be produced exclusively with grapes from the area in question.
- **Protected geographical indication (PGI)**: a product which possesses a specific quality, reputation or other characteristics that can be attributed to that geographical origin. All products with PGI status must be produced with at least 85% of the grapes coming from the area in question.



Figure 7: Concept of origination of EU wines

For example, a German wine to be classified as a *Qualitätswein* (quality wine – PDO and PGI) must be officially approved as being free of any imperfection. First the wine's ingredients undergo analytic tests by an officially approved wine laboratory, in order to determine whether the wine meets the relevant legal requirements. Once the wine has cleared this hurdle, it undergoes a sensory test for its color, odor, and taste. The attributes indicated on the labels of quality wines must also be consonant with the attributes and type of the wine itself – all of which is documented by an official test number (in German: A.P.Nr.) to be printed on the label. Each of Germany's wine-producing federal states has its own official testing organization. Formerly, the sugar content was used to determine grape quality (degree of maturity and time of harvest). In addition to the naming of geographic origin, categories taking their cue from the classic French Burgundy-wine categories *Grand Cru* and *Premier Cru* and the attendant ultra-high-quality standards associated with selected plots of land are used for quality orientation. Likewise, Austria decided to add that classification to their wine marketing rules.

For all the specificity supplied by the elaborate wine classifications described above, **assessing wine quality is a complex** endeavor and in the final analysis comes down to **subjectivity**, given that each person experiences the taste of a given wine idiosyncratically.

The term **taste**, which refers to the sensory experience of ingesting any food or beverage, involves a complex interplay of the senses of taste in the mouth and smell, in addition to the temperature and visual appearance of the good consumed. Aromas are our sense of smell. **Sensitivity** to taste stimuli differs interindividually and is also determined by a person's genetic makeup, resulting in

the classifications of normal, heightened and non-tasters. This in turn is determined by the taste receptors (taste buds) on our tongues. Age negatively influences taste sensitivity. The **core tastes** are sweet, sour, salty, bitter and umami. **Taste perception and judgements about taste** are determined by socialization and individual character traits – both of which are able to overcome the innate aversion to bitter flavors, as the widespread consumption of coffee and beer bears out. Pleasure-principle based likes and dislikes of individual flavors mainly result from individual experience. It thus follows that flavors, pleasures and cooking are intertwined culture-specific phenomena that have a particularly strong influence on how the taste of wine is perceived.

Wines come in a literally endless range of **flavors**, which are determined by factors such as grape variety and the clones thereof, and by terroir, vintage, cultivation conditions, condition of the grapes (e.g., if they suffer from noble rot), the conditions under which grapes are harvested and processed, and the vinification. Wine quality is determined not only by the evaluation of the taste of a given wine, but also by factors such as typicity and storability. All the complex and often interacting factors have given rise to a countless variety of wines and determinants of wine quality and price.



Figure 8: Examples of various wines (all images from the respective wineries' websites)

Given the complexity and multiplicity of the various wines available today, it stands to reason that the vast majority of consumers do not pretend to be particularly **knowledgeable about wines**, and thus do not use such knowledge as a basis for their purchase decisions. Wine buying decisions are primarily based on (a) familiarity with the product (b) external clues predominantly communicated via packaging (e.g., the quality classification, varietal, producer brand, …); and in the end (c) a consumer's reaction (like, dislike, indifference and so on) to the overall appearance of a given bottle of wine. The principal attributes of a bottle of wine are manifold: packaging (bottle shape, material (glass, bag in box, others), value and quality of package, and weight); closure (screw cap, natural or synthetic cork, or glass); label design; textual information on the label. Consumer perception of a given bottle of wine is also influenced by **brand charisma** and **shopping experience** – German consumers can choose among more than 10,000 German brands and a myriad of imported products and brands. If wine purchases are thus subject to a host of decision-making parameters, memorability of the product and wine consumption experience are key.

German winery **Heymann-Löwenstein** illustrates by their customer newsletter

(2021) the fact that perception of wine quality is subjective: *"We were very excited to learn that the prominent wine website awarded us a prize for our 2019 vintage – especially owing to the extremely disparate opinions that were posted online, ranging from "totally awful" to "absolutely fantastic." And then the cherry on the cake – our dry white wine being awarded the "Kollektion des Jahres"* [wine range of the year] *by Laubach und Roth Lay, as best dry wine from the Mosel region. These distinctions, apart from bolstering consumer confidence in our wines, our vineyards and the work we do, once again show how subjective all of these assessments are, and that wines with a strong personality may well end up rubbing some people the wrong way. We'd like to take this opportunity to thank all those customers who support us by seeking out and engaging with our wines."*

Given that consumers by and large lack the wherewithal to evaluate wine quality objectively, ancillary assessments have emerged. **Wine awards** rate wines and judgements can be used by wineries in their sales efforts. **Wine experts** can have an influence on consumer quality evaluations and purchasing decisions. Restaurant **sommeliers** recommend specific wines that would go well with the dishes patrons are ordering, and in many cases are in charge of compiling the wine list, purchasing the restaurant's wine, and inventory management of the wines. Indeed, the famous French hotel and restaurant guide "**Guide Michelin**" initially published their detailed and continuously updated information on restaurants. Such an external and blind tasting approach was later established for wineries and wines by a host of publications (e.g., Gault Millau in France, Gambero Rosso in Italy, Wine Enthusiast in the USA, Eichelmann in Germany). The impact and importance of wine expert ratings and wine guides surely increased since **Robert Parker** published his wine perceptions and judgements in the bimonthly journal "The Wine Advocate". Robert Parker was commonly regarded as the most influential international wine expert and his classification system (max. 100 points) serves as global role model.

In addition, **wine retailers** play a pivotal part when it comes to channeling customers decisions which wines to purchase. Wines are one of the most common points of sale promotional items at supermarkets. On the other hand, retailer´s efforts to create value by more experiental buying atmosphere often manifests in premiumization programs for wine, supported by expert evaluations of the wines a retailer carries, knowledgeable sales agents, or online consulting for wine purchase decisions.

The discount supermarket **Lidl** website refers to an expert´s judgement for wine purchasing: *"If you are looking for advice on wine, our resident wine expert Richard Bampfield is on hand to help you choose the perfect wine for you and your guests. As you browse our guide you'll notice handy rating buttons beside each bottle."*



To showcase the quality of our wine range we added the highly recognised Master of Wine Richard Bampfield to taste and rate our wines according to the **100 Point System.**

Richard has been awarded this accolade by the Institute of **Masters of Wines (IMW)** which promotes the highest standard of educational achievement in the wine industry.

Points	How Good The Wine Is
95-100	Classic - A great wine
90-94	Outstanding - A wine with superior character & style
85-89	Very good - A wine with special qualities
80-84	Good - A solid well-made wine

Nowadays when purchase wine online, or search a particular wine on Yelp, Google, Amazon or elsewhere, you're likely to come across **customer reviews**, as well as the evaluations of wine professionals or wine bloggers. Recommendations are increasingly considered in purchase decisions.

Price also helps consumers gauge the quality of a given wine, the assumption being that the higher the price, the better the wine. As a consequence, buying occasion matters. When buying wine as a present pricier wine might be chosen whereas in case of wine for home consumption one could be more price sensitive than buying a wine as a gift.

2.2 The demand side

Global wine consumption sums up to more than 230 million hectoliters of wine a year in about 200 wine-consuming countries in the world. The global wine market is valued at up to 490 billion US$ in 2021. The Top 10 countries account for more than two thirds of the worldwide wine consumption. In 2007, wine consumption peaked at 250 million hectoliters. The downturn since 2018 is mainly attributed to the decline in China's consumption after years of market growth, the Covid-19 pandemic, diminishing wine consumption in the old wine world, the energy crisis and disruptions in global supply chains with higher production and distribution costs, and higher wine prices. High levels of inflation diminish the purchasing power of consumers. But wine consumption and wine market reactions are very heterogenous across geographical regions. The United States of America have outgrown all other regions in wine drinking and have become the world-leading wine consumption nation consuming 15% of the global wine production. In the leading wine consumption nations two and three, France and Italy, historically very strong consuming wine production nations, per capita consumption has plummeted. Still, EU states jointly make up for about half of Germany is known as a beer-drinking nation, a perception underscored by Munich's

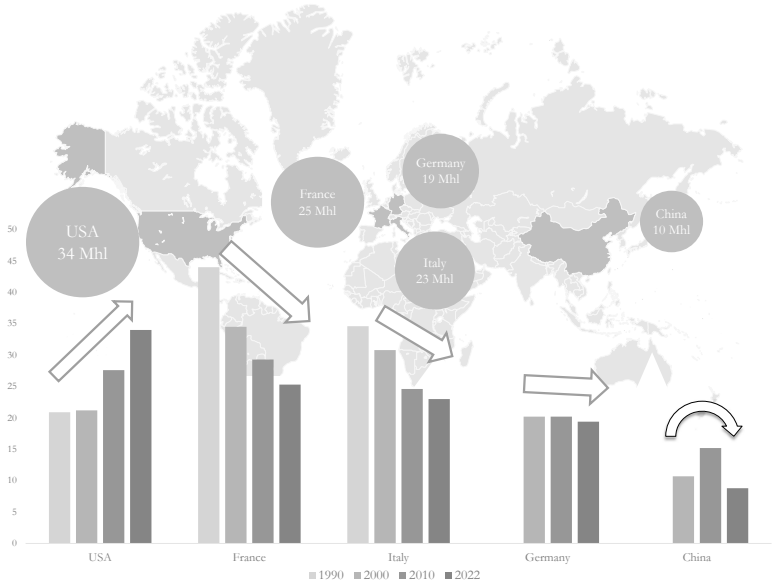


Figure 9: Wine consumption in in leading wine consumption countries (DWI&OIV 2023)

global wine consumption. In Germany, **on fourth place**, for years now, **aggregate annual wine consumption** has hovered around the two-billion-liter mark, although world-famous Oktoberfest. Notwithstanding the fact that Germans drink more beer than wine, German customers shell out more than €13 billion annually for wine. In addition, Germany is out in front of sparkling wine consumption.

The **age of consumers** has an impact on consumer behaviour. Alcohol consumption requires legal drinking age. At the earlier ages of drinking alcoholic beverages, beer is the drink of preference compared to wine, at least partly because beer is commonly less expensive. Many such young people also feel that beer is more digestible (owing to the acidity of wine) and more convenient (available in cans or handy bottles). People tend to consume pricier wines, and larger amounts of them, with advancing age. Given that wine prices range from rather inexpensive to sky-high, purchasing wine, as well as deciding which wines to purchase, hinge on the purchaser's **disposable income**. As people's income increases and they focus more on enjoying life and especially fine dining with increasing age, they tend to gravitate toward fine wines. Moreover, **lifestyles** and **personal values** have a major impact on wine consumption patterns, as is evidenced by religions opposing alcohol consumption. Indeed, consumer typologies not only in the wine industry use lifestyles, socioeconomic status and personal values (traditional/conservative versus modern/liberal) for segmentation and target customer definition. These parameters can even be teased out merely from street addresses and demographic data and spatial datascience enables companies to not only conceptualize but later use the segmentation to tailor strategies, marketing and sales. Indeed, lifestyles manifest in purchasing behaviour.

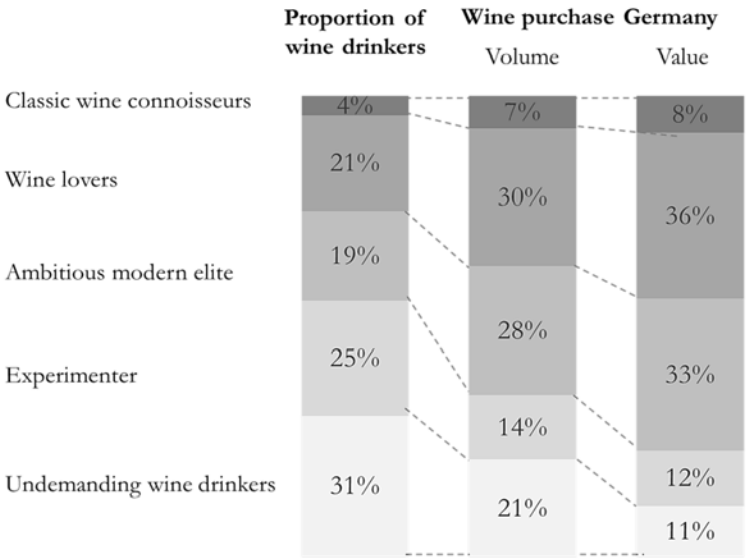


Figure 10: Segmentation for wine consumption, as derived from Sinus-Milieus (adapted from Schipperges 2013)

Lifestyle-based target group segmentation comes in handy for defining and communicating with individual target groups. Affluent, tradition-minded consumers in the segment of "classic wine connisseurs" prefer wines from venerable brands, oftentimes

from either regional wineries or prominent foreign vintners. On the other hand, the segment "ambitious modern elite" are devotees of and tend to be fans of trendy wines that exhibit freshness. Discount stores tend to be frequented by people at the lower end of the socioeconomic scale, or by people who are price conscious for one reason or another. On the other hand, stores that specialize in wine are associated with a pleasure-seeking lifestyle. The sizes of target group segments aren't what they used to be, owing to social change and **evolving social values**. Three decades ago, the "classic wine-connoisseurs" group accounted for around 20 percent of German wine drinkers – a figure that has since shrunk to a mere 4 percent.

A wine product known as Apothic Red is proof positive that creating lifestyle-oriented wines is a viable approach. The wine, which is the brainchild of E. & J. **Gallo** Winery, is meant to appeal to a younger demographic for whom beer, rather than wine, is likely to be their preferred beverage. The Apothic marketing pitch centers around the wine's quality, dynamism, robustness and mysteriousness. It appeals to wine-drinking novices owing to its relatively high level of residual sugar.



Wine purchasing decisions are determined by both personal and situational shopping factors. But when a bottle of wine is being purchased as a gift, the factors that come into play differ from those that determine which wine a consumer looking for a bottle of wine to drink with their dinner will purchase. Purchasing wine at a winery after the wine in question has been sampled during a wine tasting, accompanied by a pitch from a winery staff member is a different experience and will likely have a different outcome, than purchasing wine at the supermarket for home consumption. The myriad surveys of consumer behaviour that have been conducted for the winegrowing industry reach differing and, in some cases, contradictory conclusions concerning the relevance of the purchasing factors. These conclusions can be reduced to a common denominator, via two statements – namely that wine purchasing is a complex activity and that a host of factors have an influence on it, including color, grape variety, appellation, price, taste, brand, label, bottle, closure and so on. That said, the factors that are most helpful to a person confronted with a shelf containing dozens of brands and styles of wine are (1) habit, i.e., the type of wines that the customer customarily purchases; and (2) price, i.e., the amount the consumer is willing to spend.

Social change tends to alter consumer purchasing behaviour in a number of ways. When people are pressed for time, they spend less time shopping than they otherwise would. One of the key factors that influences wine purchasing behaviour is **curiosity**. Available online information (including reviews) concerning just about every imaginable wine enhances the **transparency** and convenience of purchasing wines for consumers. Sustainability and **trust** are both factors that also have an effect on consumer behaviour. Faced with this vast array of changes in social values and increasing competition, winegrowers have no choice but to strategize their marketing activities and become robustly and manifestly pro-sustainability. In addition, suppliers need to proactively monitor and increase their knowledge of their customer bases.

2.3 Wine supply and value creation

Winemaking is an integral part of agricultural value creation. Despite the transition from **agricultural** to a **service economy**, greatly reducing the proportion of the GNP accounted for by agriculture, even industrialized countries often depend on agriculture (e.g., France, where more than 50 percent of arable land is used for agriculture). Farming is vital in meeting basic human needs, namely food production, which ensures an adequate diet; population health; and last but not least, the future of our planet, i.e., sustainability in the broadest sense of the term. Agriculture plays a crucial role not only in supplying food, but in preserving landscapes and shaping rural areas, as well as preserving cultural practices and heritage.

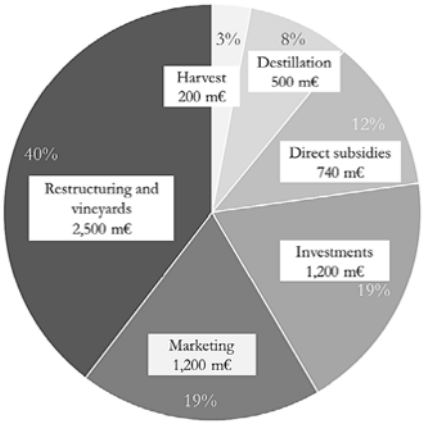


Figure 11: EU subsidies for winemaking, for 2014-2018 (adapted from Agrar-Atlas 2019)

Viticulture is an integral part of a nation´s agricultural policy. For the European Community agriculture is of high importance and it is managed via the Joint Agricultural Policy. Under this policy, wine is widely supported by the policy makers despite its being classified as an alcoholic beverage, and thus an addictive product. The wine-growing industry receives substantial subsidies via a range of programs. The €60 billion in agricultural subsidies that the EU grants to European Union farmers is proof positive of the vital importance of agriculture.

The agricultural sector today faces massive challenges owing to a number of factors, whereby the need to increase productivity, the market clout of the business sector, computerization, biodiversity, sustainability, and climate change are only a few of the powerful forces that farmers need to reckon with. Farming also plays a key role when it comes to meeting the goals of environmental sustainability, because farming entails the use of non-renewable resources such as land and water, and farm production causes greenhouse gas emissions owing to the use of fuel for crop protection purposes. A conflict of goals arising from farming activities on one hand and the environmental problems that it causes (nearly 10 percent of the EC´s carbon emissions are attributable to farming) are expressed in external costs.

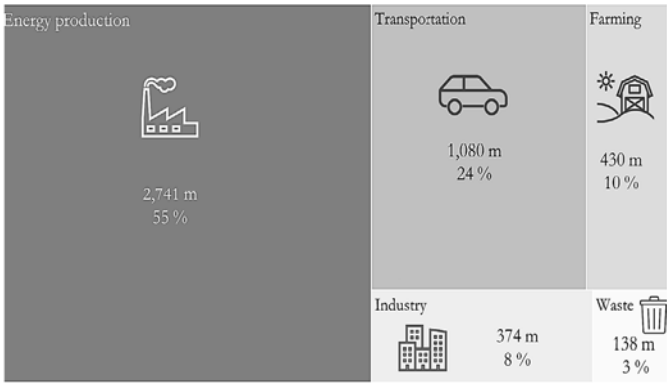


Figure 12: Share of greenhouse gas emissions (various sectors in the EU; adapted from Agrar-Atlas 2019)

External costs are negative effects (spillovers) that can arise from both production and consumption. These effects are not attributed as costs of transaction and not included in the market price of the goods and services being produced. As a result, these costs are not borne by those who create it but the society in general. There is a risk that companies externalize their costs to increase profitability. Such externalization of costs of short term profit thinking generates multiplied costs for the society as illustrated by the overseas logistics: A commercial ship can produce several tons of bilgewater per day. Pumping it into the sea instead of costly disposal by an oil separator saves up to $200,000 a year, but with massive external costs. Just clean up of 1989 Exxon Valdez oil spill off-coast Alaska has cost around $2.5 billion and the yearly amount of oily water discharged into the oceans is about five times the 1989 oil spill. (Werkhäuser 2022)

Following a Boston Consulting Group (BCG) study on the **external costs of farming for Germany** these costs sum up to more than five times the annual gross value added of the German agriculture (calculated at around 21 bill. €): "Farming accounts for around 0.7 percent of Germany's GDP, and for 7 percent of Germany's greenhouse gas emissions. Additional negative externalities [external costs] arising from factors such as air emissions, and for water and soil, result in external costs amounting to at least €40 billion. And when biodiversity loss is also factored in (especially species, gene and habitat diversity loss) and the resulting loss of ecosystem services, the external costs attributable to farming [in Germany] is an additional €50 billion. Thus, the German agriculture sector is responsible for at least €90 billion in external costs per year, plus an additional ca. €10 billion annually in government expenditures." (BCG 2019)

The winegrowing industry is only one example – as are the food processing, automaking and entertainment industries – of how societies are facing up to the challenge of **reconciling life and hedonism**, our economic structures, but also health and the planet earth. Take wine, for example: In order to enjoy a bottle of wine, the grapes have to be grown, and the wine has to be produced, marketed and delivered. This whole process is realized as synchronized value chain steps. Each step claims to generate value, but it depends on the others, and has an impact on the environment.

Value creation means that in transformational processes the results have a higher value than the sum of all inbound materials and products, the costs of production or service generation, and marketing, sales and all supplementary activities. The stages in the transformational process, which sequentially enable a business to create **value in successive steps**, are known collectively as a value chain.

Each instance of value creation and the attendant value creation chain is industry specific. In the jewelry industry, precious metals are transformed – in some cases, with a high degree of artistry and creativity by skilled craftsmen: inbound material costs can be very high. Pharma companies create value by means of elaborate active-substances research and development and use materials of often lower value to in-

dustrially produce valued pharmaceuticals: High R&D but also investment needs for production and marketing are characteristic for pharmaceutical companies. Actors in a given industry do not necessarily have the same take on the sector's value chains. The term **value chain depth** refers to companies´ decisions what is done inhouse or which steps of the value chain are sourced by suppliers or partners.

Value creation for the production, marketing and consumption of wine is **globally multi-faceted**. For **France**, as one of the world's leading wine producing countries, both qualitatively and quantitatively, the economic clout of wine is great and wine belogs to France´s predominant exporting good, especially wines from the French regions of Burgundy, Bordeaux and Champagne. The International Organization of Wine and Vine (OIV) is headquatered in Dijon. French grape varieties such as Chardonnay, Merlot and Cabernet Sauvignon are widely regarded as classics. Wine is an elementary part of the French culture. Alike **Spain** and **Italy** are the leading wine producers, and their fellow citizens are fond of their wine history, the value of wine in regional differentiation, and of homegrown wines. In comparison, **German** winegrowing industry is of neglectable economic value by virtue of being one of the world's leading industrialized nations, with a dominance of automotive, chemical and heavy-machinery industries – but wine is of **high cultural**, **societal** and **landscape-shaping** value.

In the **USA** on the other hand, wine history is much shorter and during the prohibition era in the (1920-1933) winemaking was even illegal. Nowadays California wines are extremely popular all over the world and wine tourism is a worthy attraction fostering tourism. The growing number of winegrowers and wines (also in Oregon, Washington, and other US states) attest to the growing importance of the winegrowing industry in the United States of America. Indeed, the "so called "**Judgment of Paris**"), a wine tasting organized 1976 in Paris by Steven Spurrier, a British wine merchant, manifested that believed underdogs can outperform branded favorites. Spurrier gathered some of France's biggest wine experts for a blind tasting and to a great surprise Californian wine scored high and won in both the red and white categories, beating legendary French chateaux and domaines from Bordeaux and Burgundy. The wine community regarded this outcome as a veritable revolution, and as proof positive that regions that adhere to best practices and the highest standards are capable of producing top quality wines. **New World** wines, i.e., wines produced outside the traditional winegrowing areas of Europe, can also exhibit their own distinctive characteristics. Often, these wines are marketed via exporting from their respective countries of origin. Over the past decade alone, the **New Zealand** winegrowing industry's aggregate export revenues have nearly doubled. And although **Australian wines** sell well at home; large quantities of these wines are also exported. For the Australian wine sector, **fluctuating currency exchange rates** and customs charges can either spur or be a drag on sales – a phenomenon exemplified by the slump in exports of Australian wines to China owing to a trade dispute between the two countries.

> *„China's trade tariffs on wine originally came into effect in November 2020, imposing a charge of up to 218% on wine exports. The punitive export sanctions contributed to wiping AUD$2.08bn off the value of Australian wine exports in the year to 30 June 2022."* (Evison 2023)



China – where winemaking tradition and culture date back some 3,000 years but rice wine dominates the market – has in recent years emerged as one of the world's four leading nations in terms of winegrowing capacity thanks to an exponential increase in planted vineyards. Chinese vintners have improved the quality of their wines by adroitly implementing the viticultural know-how. **South American** wines have likewise benefited from exporting their wines to the four corners of the globe in both barrels and bottles. The same holds true for **South Africa**, where wine tourism has been growing rapidly. The production infrastructures of New World wines differ sharply from their Old-World counterparts, illustrated by very large privately-owned wineries in **Chile** and **Argentina**. As for North America, its winegrowing industry is a prime example of how growth in production can spur the development of a massive market for wine consumption. The same might be expected for **India**:

> „*India's biggest winemaker **Sula Vineyards** reported a 24.4% rise in first-quarter profit, helped by strong demand for its premium wines and increased footfall at its vineyards. India's only listed winemaker ..., the owner of the Dindori and Rasa wine brands, reported a 21% rise in revenue from operations, with its Own Brands segment, comprising premium wine brands, accounting for about 89% of the topline. Revenue from wine tourism also increased 11% ... due to a 70% jump in visitors at its winery located outside the city of Bengaluru.*" (Reuters 2023)

Wine supply and production needs to adapt to the chaning environment – with local, regional, and global challenges. Past success does not grant a prosperous future:

> "*Washington grape growers are still reeling from the news that the US state's largest wine group is slashing the volume of grapes it will buy this year by almost half. **Château Ste. Michelle** says the move is imperative for the survival of its business, as well as for the wider Washington wine industry, as decreased demand from younger consumers coupled with rising costs and an oversupply of wine is putting strains on the state's winemakers.*" (Neish 2023)

2.3.1 Wine growing

In order for wine to be produced, vineyards must first be planted and cultivated. Grapes need sunlight, sufficient water, and a moderately warm climate to mature. Grape farming requires to monitor and treat for phyto diseases, as well as for frost and other inclement weather events. For climate related reasons, wine grapes are cultivated in the southern hemisphere between the 30th and 40th parallels and in the northern hemisphere between the 30th and 51st parallels. More than 90 countries in the world grow wine.

Wine production metrics: Arable land that is used for the cultivation of grapes for winemaking purposes is called a **vineyard** and the main metric that is used to calculate winegrowing **capacity** is expressed in hectares (1 hectare = 100 x 100 meters). The amount of wine **harvest yields** – which are quantified and expressed in kilos, tons, liters or hectoliters (i.e., 100 liters) – hinges on a host of factors including planting, vine density, grape variety, quality management, climate, and the applicable laws and regulations. Productivity is measured by the **quantity of grapes or wine** that is produced per unit surface of vineyard and is therefore a type of crop yield.

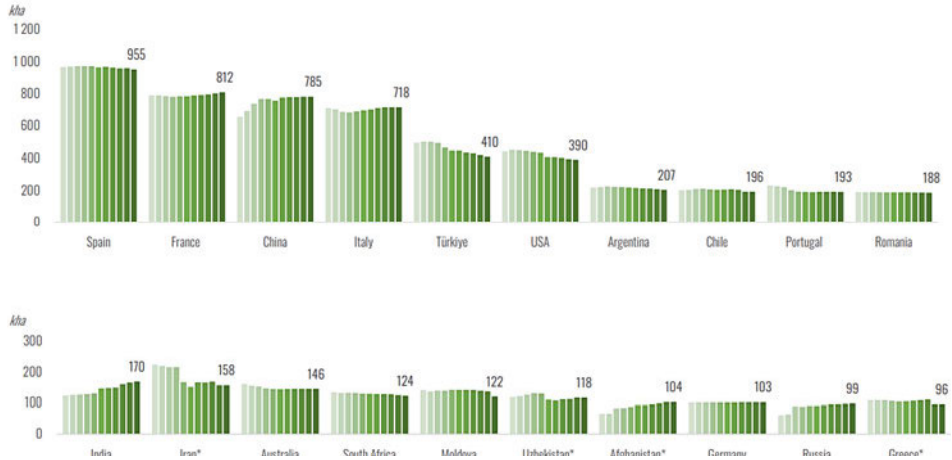


Figure 13: Global vineyard surface 2012-2022 (OIV 2023)

Spain, France and Italy jointly account for more than one third of the world's collective vineyard surface of 7.3 million hectares. **Vineyards** are precious and valuable tracts of land. Sparkling wines from France's Champagne region for example are marketed with premium prices and illustrate that origin and therefore vineyards matter. Excellent locations are a rarity, reflected in high prices. Indeed, even in case of wineries being small and entrepreneurial entities with oftentimes thin profit margins (e.g., on average in Germany) plus the fact that their dependency on the vagaries of Mother Nature make winegrowing in general a risky undertaking, outside financing is readily available for vintners. Banks tend to look favorably on loan applications from vintners, as the vineyard's land often is a **hidden reserve** on the balance sheet and itself is regarded as excellent collateral.

> *„A single hectare of Grand Cru vineyard surface in the French region of Burgundy sells for €14.5 million … whereas even the least expensive Grand Cru winery is priced at €2.85 million per hectare. Vineyards in the French region of Languedoc are much more affordable, however. In Haut-Garonne, the average price of a winery can be had for €5,000 per hectare, i.e. €.50 per square meter. The wine price trendsetting regions in France are Bordeaux, Burgundy and of course Champagne, where winery prices range from €485,000 to €1.8 million per hectare."* (Gerke/Meininger 2019)
>
> *"Napa wineries invest big in Washington: With wildfires becoming an increasing issue in California, big names in the Napa Valley are snapping up prized vineyard sites in Washington to hedge their bets. In April 2022* ***Jackson Family Wines*** *bolstered its presence in the Pacific Northwest with the purchase of a 61-acre plot in Washington's Walla Walla Valley. Buying the land in Mill Creek from a 117-acre property owned by* ***Abeja****, the estates will soon jointly announce the name of the vineyard project. The vineyard plot is located at the base of the Blue Mountains on the east side of the Walla Walla Valley, which is cooler than the south side, leading to grapes that are prized for their natural acidity and bright fruit flavours. Now otherproducers are increasingly following suit and Abeja's winemaker"* (Shaw 2023b).

More than half of the world's wine of about 260 million hectoliters is produced in Europe. The top 8 wine producing countries account for more than three fourth of

the global wine production. Wine produced exceeds worldwide wine consumption by around 20 million hectoliters. This means that there is abundant wine left over to make products such as vinegar and disinfectants.

Whereas vineyard surface determines wine production capacity, the **yield** depends on several factors such as varietal, climate, natural hazards and more. Productivity differs by country and by year. Table 2 illustrates that the countries of high vineyard capacity and wine production are not most productive. Germany's wine production for example outpaces that in many other countries owing to higher per hectare yields per vineyard surface, the country ranks ninth in global wine production with an average of between 8 and 10 million hectolitres per year.

Tab. 2: Wine production and yields 2022 of selected wine countries (OIV 2023)

	kha	mhl	yield (hl/ha)
Spain	955	36	37
France	812	46	56
China	785	4	5
Italy	718	50	69
USA	390	22	57
Argentina	207	12	56
Australia	146	13	87
South Africa	124	10	82
Germany	103	9	86

Germany´s wine production serves to illustrate the variability of wine production, local or regional (traditional) characteristics, and regulatory impact in the ambition to secure quality and keep wine production and demand in balance. With upwards of 103,000 hectares of vineyard surface, Germany is the world's 18th largest wine producing country but with high productivity. As the EU places restrictions on member state expansion of winemaking capacity, such expansion in Germany is limited to 0.3 percent of existing vineyard surface per year. A vintner's decision as to which **varieties of grapes** to cultivate has far reaching consequences, given that it's the variety that determines the characteristics of the wine, its taste, and the wine harvest yield. Grapes can only be harvested, at the earliest, three years after the vines have been planted. Some grapevines exhibit amazing longevity which can be more than 30 years old, shows. In Germany, the lion's share (67 percent) of the country's vineyard surface is used for white grapes. The most common German type of white wine is Riesling, whereas Pinot Noir (in German: Spätburgunder) is the country's staple red wine. Germany is the world's largest Riesling winemaking country, and the third largest for Pinot Noir. Germany has 13 distinct **winegrowing regions**, which differ from each other in a number of ways, including size, grape varieties, predominant production method, and microclimate. For example, Rhinehessia, Germany's leading winegrowing region, contains 26 percent of the country's vineyard surface. Its mean yield over the past decade has exceeded 90 hectoliters per hectare. More than 70 percent of the

wine produced in the region is white wine, and the region's main grape variety occupies less than 20 percent of the region's vineyard surface. In contrast, the relatively small winegrowing region known as Hessische Bergstrasse contains less than 5 percent of Germany's vineyard surface with mean annual yield amounting to less than 70 hectoliters per hectare. Nearly 80 percent of the region's wines are white wine, and the region's main grape variety accounts for 40 percent of its vineyard surface. In the Ahr region, on the other hand, growing red wines takes up more than 80 percent of the region's vineyard surface. In Germany's Rheingau region, Riesling accounts for the lion's share (around 80 percent) of the region's vineyard surface, whereas in Franconia silvaner grapes are the predominant variety. Saxony's mean per decade yield is around 50 hectoliters. Each region, wine producer and wine have distinct characteristics that embody the uniqueness of wine.



Figure 14: German winegrowing regions, broken down by vineyard surface (adapted from DWI 2021)

Wine grape cultivation is an integral part of the landscape architecture; but at the same time involves contending with certain recurring problems such as **protecting grapes** from pests and disease and preventing soil erosion. In order for wine grapes to produce the desired quantity and quality yield, the vines need to be tended year-round. This involves labor-intensive activities such as crop protection and pruning or steps to protect the vines against frost, hail and other untoward events. The efficiency of vineyard operations has profited of mechanization and is expected to further be optimized thanks to technological innovation and digitization (e.g., linking vineyard land to weather data; streamlining vineyard work processes; using thermal imaging and aerial photos to detect vineyard pests and diseases so that the requisite countermeasures can be taken).

In order for winegrowing to be considered (and be) **ecologically sustainable**, vintners need to institute eco-friendly practices when it comes to tilling, fertilizer use and crop protection, and must be familiar with the relevant ecological and environmental protection principles. **Organic viticulture** eschews use of the pesticides that are one of the hallmarks of integrated viticulture. In order for a wine to be regarded as genuinely organic and to bear the EU organic logo, the tenets of organic farming must be adhered to. **Biodynamic** viticulture is a holistic and anthroposophic approach that encompasses humans, animals and plants and whose production related decisions are based on natural cycles.

Certified ecological and organic viticulture is becoming ever more common and, on its way, to reach 10 percent of the vineyard surface, over five times greater than the share in 2005. In order for a vineyard to transition from conventional to organic viticulture, it needs to make major changes in its winegrowing practices and adhere to the applicable restrictions, in accordance with the tenets of organic farming. These tenets exist on a continuum that comprises conventional, integrated, biodynamic and organic farming.

> The German association of organic vintners, known as **Ecovin**, reflects the growing tendency to grow wine in an ecologically sustainable fashion. *"When, in 1985, the organization was founded, 35 vintners who collectively owned 200 hectares of wine surface decided to join forces. Ecovin now has 245 vintners who collectively own 2,700 hectares of vineyard surface.* (Ecovin)

2.3.2 Wine making

Wines fall into three general categories: (a) **non-sparkling** (i.e., white, red and rosé); (b) **sparkling**, which is also a major wine sector, and the panoply of beverages produced from grapes in form of (c) **wine-based drinks** (e.g., beverages containing both wine and fruit juice or liqueur; high alcohol content wines such as port and sherry; semi-sparkling wines, which have less carbonation than sparkling wines; and other inventive wine products).

Starting with **wine harvest** of ripe grapes, their juice is then extracted from the grapes via a winepress. Also depending on a prolonged contact of the extracted juice with the grape skins (maceration), wines gain color and tannins, as wished predominantly for red wines. Ethanol fermentation unfolds via a lengthy series of steps whose nature depends on the style and the quality of the wine being produced. Fermentation, which is set in motion by natural or added yeast, also affects the flavor of the wine. In wine aging, the receptacle materials (stainless steel, wood, concrete, plastic, glass and so on) and size (such as the barrique, whose capacity is 225 liters, or stainless-steel tanks in different sizes and some of which can hold more than 100,000 liters), as well as aging period, stabilization, filtration and many other processes open up a wealth of options for wine design. It takes skill and expertise to create wine of outstanding quality using selected types and provenances of wood for barrels; or **blending multiple wines** to form a **cuvée** necessitate consummate skill and expertise. The final step in wine production consists of bottling the wine. Apart from the standard 0.75- or 1-liter glass bottles, large bottles or bag in box or the like are used. Wine

labels indicate the wine brand, and also contain information required by law such as the vintner's name, the wine's alcohol content, ingredients, and any allergens that the wine might contain.

If viticulture always entails pretty much the same sequence of production steps and dependency on the invested production infrastructure, it is nonetheless subject to trends and evolving circumstances. Vintners try out new methods and let their imaginations run wild, in their search for quality, self-expression, creativity, and optimization. One recent such trend is **natural wine**, which involves reverting to viticulture based on means of production from the distant past, such as the use of animal skins and amphora. This has also given rise to novel wines such as **orange wine** – the end result being the wine's characteristic and eponymous coloring, obtained through longer than normal maceration for white wine. Computer technology is being used in winemaking.

The steps in the production process have financial ramifications. Apart from capital investments in the **viticultural infrastructure** (e.g., presses, tanks, barrels, storage room) a factor of considerable importance is that many wines need **time to age** and do not generate any sales revenue until months or years after being bottled. In a practice known as **en primeur purchasing**, which is in effect a **futures market**, a customer purchases a stake in a fine wine – more often than not Bordeaux – before the commodity has become a finished.

Three corporate **models** of wine making have evolved in Europe with characteristic up- and downstream coverage:

- **Independent (and predominantly vertically integrated) vintners**, most of whom undertake the entire winemaking value creation chain (grape cultivation, winemaking per se, and marketing) but some specialize in the production of either grapes or bulk wines.
- **Vintner cooperatives** get their grapes from the member vintners, and the cooperative undertakes winemaking and marketing of the wines.
- **(Large scale) wineries** that purchase grapes or bulk wine, which they then use to make and market wines (downstream focus).

In Germany, each producer model (vertically integrated vintners, downstream-focussed wineries, and cooperatives makes up for about one third of wine production– but with strong regional differences. German non-sparkling wines are produced by a large number of relatively small businesses, predominantly vertically integrated vintners. resulting in more than 10,000 different sellers and brands, a highly fragmented market. German sparkling wine, on the other hand, is the province of still around 1,000 producers, although the market is dominated by downstream-focussed wineries with one company, Rotkäppchen-Mumm, owing more than a 50 percent share in the German sparkling wine market.

For some time now, the structure of the old-world wine industry, like the entire farming sector, has been undergoing far reaching **change**. For example, since 1980 the number of German wine producers has declined by more than half. But despite obvious **drive-out**, the industry has seen the advent of rapidly growing companies and

startups, along with the implementation of new and innovative business models. These wineries include, for example, capital-intensive startups featuring architecturally impressive buildings (e.g., **Chat Sauvage** in the Rheingau region) or elaborate repurposing of stately buildings and noble historical legacies (e.g., **Château Schembs, Griesel & Cie.**). And in a completely different vein, you have **garage winery startups** (literally, wine made and, in some cases, sold in garages or similar unorthodox settings) with curiosity-arousing birthplaces of new winery ideas, such as **Shelter Winery**, which is installed within the thick concrete walls of a former goat shelter at an abandoned airport. In **up-and-coming new world winemaking nations**, the viticulture sector is expanding rapidly, as has occurred in New Zealand, for example, where vineyard surface has increased by 16 percent over the past decade alone. Such growth opens up opportunities for winery startups and other newcomers, as can be seen in Oregon in the United States of America, where the number of winegrowers has risen by more than sixfold.

The emotional utility of wine, societal appreciation of wine-making skills, and the fact that wine is so closely associated with Mother Nature herself, in addition to the product's complexity and the related wine design options, are inspiring for both newcomers and seasoned vintners. What also works to the advantage of the winegrowing industry are the many venerable traditions, inter-generational sharing of experiences; and creativity and fresh ideas coming from outside and within. An industry with a future but in transition to adapt to structural and demand changes.

It is often assumed that winemaking is an inherently sustainable activity, given that it is a **natural product** that can look back on a long tradition and the fact, as mentioned above, that winemakers of different generations tend to share information and experiences. That said, growers in general, and especially vintners, need to engage robustly with all aspects of sustainability and the implementation thereof, given the fact that viticulture involves the use of natural resources such as water to wash freshly harvested grapes and energy for the production process per se.

2.3.3 Wine marketing

Wines make their way from vintners to consumers in many different ways: via **direct marketing** (i.e., at wineries), online or bricks and mortar **retail outlets**; via boutique wine stores, grocery stores, or wholesalers; in bars, hotels and restaurants; often crossing frontiers via **exports**. A distinction is made here between wine that is consumed in the home versus wine that is consumed outside the home, whereby the latter encompasses both the food services and hospitality industries ("**on-premises**"). COVID-19 pandemic, with restaurants, hotels, and bars shut or running on limited capacity, forced consumers to food retailers as well as online portals to shop for the product. Though, when it comes to monetary spending for wines, aggregate expenditures for wine consumed on-premises exceeds their portion of the wine sales. This is because the prices of the former include various services and infrastructure elements, in addition to the profit margins of the various providers.

The global wine marketing and sales strongly differs by country. Just to name few expamples, in the United States it is not only the distance of consumers from the wine production areas that necessitate indirect sales via retail or on-premises to reach wine customers, state regulations often limit sales of alcohol. Wines from New Zealand are

mostly exportet. Bulgarian wine is often consumed by the producer. Some famous French, Italian or Spanish wineries have very limited direct-to-consumer sales and in Bordeaux the system of merchants buying wine by subscription has long tradition. Although **direct sales** to the consumers is historically the channel of choice for German vintners and still plays a relevant role today, **indirect sales** (supermarkets and retail) gain ground. Greatly increased personal mobility, consumer preferences for convenience and the fact that many consumers lead busy lives and don't wish to spend large amounts of time shopping for wine (or anything else for that matter), plus radical changes in consumer behaviour (e.g., curiosity to test new wines and brands), are all factors that have greatly benefited supermarket chains. Supermarkets enable consumers to do all or most of their shopping relatively quickly in one place, which saves time – plus supermarket prices tend to be lower than in other retail outlets. Another major factor that enters the equation here is the sheer number of retail outlets that are available to consumers in most Western countries. Austria or Germany are a veritable paradise for shoppers, in that they have the highest per capital rates of outlets in Europe. And while wines account for an average of only 2 to 3 percent of grocery store sales revenue, they play a major role through their use in advertising for supermarkets' discounts and their product lines, aimed at getting customers to patronize their stores. This explains why some supermarkets carry more than 500 and at instances up to 1,000 different wines. Online retailing is a sector whose importance is bound to increase, given that industry observers predict that sales of food and beverages are set to increase astronomically in the coming years. Apart from wine marketing on the part of large supermarket chains, online wine retailers have developed a range of business models. Classic bricks and mortar wine-specialized retailers that carry a broad range of domestic and imported wines and help customers decide which wines to purchase, are facing increasingly stiff competition from supermarket chains. For vintners, a proprietary website, with or without an online shop, is vitally important when it comes to fostering customer loyalty and winning new customers.

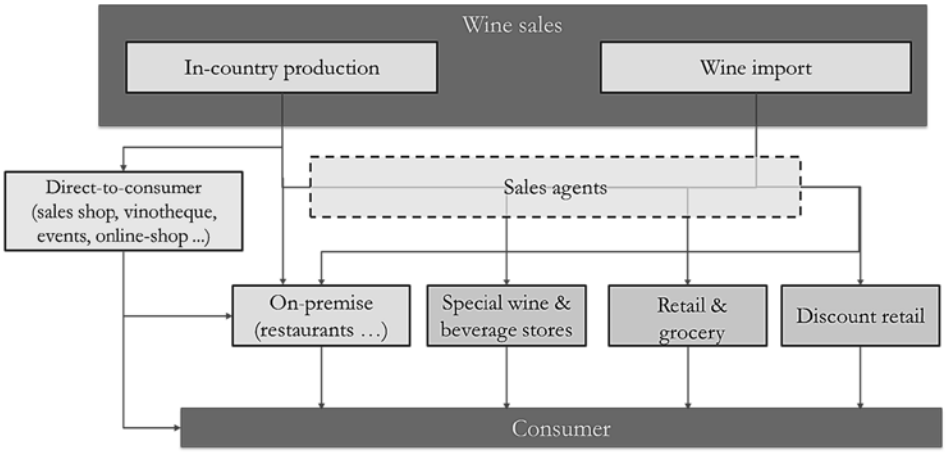


Figure 15: Wine marketing channels

In the **food services and hospitality industries** wine is a major driver of value creation, given the fact that these products are subject to substantial markups. A restaurant's wine list can be a boon to its profile among both current and prospective or

potential patrons. Apart from the prospect of selling wines to restaurants and the like, these businesses can potentially enhance brand awareness of vintners' wines by virtue of these products being brought to the attention of patrons by sommeliers and restaurateurs. Word of mouth among patrons of restaurants in a given locale can potentially generate additional revenue for the wineries or attract new customers.

> If the virtues of a particular winery's products are extolled by restaurant patrons, vintners in cities and towns beyond the confines of a given locale are likely to benefit as well. One example of this is a restaurant called **Sansibar** on the German island of Sylt, which has expanded into e-commerce via a wine club.



Wine marketing profits form **wine tourism** and vice versa. Vineyards beautify local landscapes, influence wine tourists' destination choices and enhance the cultural value of their respective regions. And tourists who visit wineries while on vacation are of course potential customers for these businesses.

> *But in order for Washington to be able to compete with the Napa Valley on the wine tourism front, … it needs to up its game when it comes to hospitality. We're seeing more private planes diverting from Napa to Walla Walla and we need to be able to meet these people's expectations or we'll lose them. There's no Michelin guide in Washington yet but we're working on it. In 2012 Cakebread Cellars launched its Washington wine venture, Mullan Road Cellars, in Walla Walla with the aim of making terroir-driven Cabernet in what has since become the Royal Slope AVA. A year later, Duckhorn jumped on the bandwagon with a 20-acre vineyard just above Antinori's Col Solare in Washington's acclaimed Red Mountain AVA."* (Shaw 2023b)

In addition, wine trade and therefore wine export represents an attractive and growing opportunity for wine marketing. The **international wine trade** has been thriving for years. Thanks to cross-border wine sales amounting to more than 105 million hectoliters, within a mere decade sale have risen by 75 percent and revenues have doubled exceeding 38 billion Euros in 2022. Wine exports are of longstanding practice and not only French wines have conquered the world.


– NOV., 1896

List of the Wines, &c.

BERRY BROS. & CO.,

3 ST. JAMES'S STREET.

— LONDON, S.W. —

'CLARET.

CHAMPAGNE.

HOCK.

BURGUNDY.

Figure 16: An 1896 wine list from Berry Bros. & Rudd wine list (Diaz 2017)

Although the major wine producers sell their wares all over the world, the wine-growing industry is characterized by strong fragmentation with a lot of players. As an example of limited market power, the largest wine producer - California-based **E. & J. Gallo Winery** - holds an estimated 3 to 5 percent share of the world's wine market. In comparison, **AB InBev** dominates in the beer industry possessing more than one fourth of the global beer market.

> *"**E. & J. Gallo** Winery completed its $810 million purchase of about 30 wine labels from Constellation Brands Inc. The deal was originally valued at $1.7 billion, but antitrust*

concerns by the Federal Trade Commission spurred a slimmed-down deal." (Murphy 2021)

Market share as a metric for determining the degree to which a given industry is monopolized. Economists distinguish between (a) monopoly markets, i.e., markets dominated by a single player; (b) oligopolistic markets where a handful of players are dominant; and (c) polyopolies - markets where a considerable number of players compete against each other, and where no single company is a dominant force. Government agencies (anti-trust) monitor the degree of concentration in business sectors and eventually challenge or prohibit mergers and acquisitions in cases where the resulting dominant position of the new entity would distort free-market competition and might open the door to illicit practices such as monopoly prices in a particular market. The two main criteria for such assessments are the **number of other players in the market** in question and their respective **market shares**.

The subjective utility function of wine renders a winemaker's **reputation** and **branding** pivotal marketing elements. In turn, a wine producer's reputation involves a complex interplay between its brand design (**individual reputation**) and its reputation as reflected and influenced by factors such as country of origin, winegrowing region or appellation (**collective reputation**). Sustainability is becoming ever more relevant for brand management. The tendency to implement sustainable winemaking, along with brand positioning that reflects this approach, is being driven by increased customer awareness of this and related issues, and the fact that a winegrower winning a supply contract increasingly hinges on the extent to which the company's wines are produced in accordance with the tenets of sustainability.

"A growing number of [German] consumers want their purchases to be ecological and socially responsible. Retailers attempt to satisfy this desire by offering socially responsible products and product lines. Nowadays, organically grown and fair-trade products are sold through all available marketing channels. Increasingly, consumers want to know where the products they purchase come from and how they are made.
*(*Handelsverband 2021)

2.4 Wine industry and sustainability in a nutshell

Making sustainability a long-term objective in a manner that takes into account the relevant economic, ecological and social factors is of central importance in the industry. Winegrowers in New Zealand, Chile, South Africa and California make a habit of publicizing their sustainability measures and the benefits thereof. German winegrowers' interest in integrating sustainability into their business practices has increased considerably over the past decade, during which sustainability has moved to the top of the list of strategic measures. In the first panel in 2012 61% of the interviewees stated that sustainability was not part of their strategic measures with only 11% of the population having realized their intended measures for sustainability. In the 2020 panel 83% valued sustainability as core strategic measure and more than half of the

population have realized their planned sustainability actions. No or low relevance of sustainability was stated by only 1% of the interviewed population.

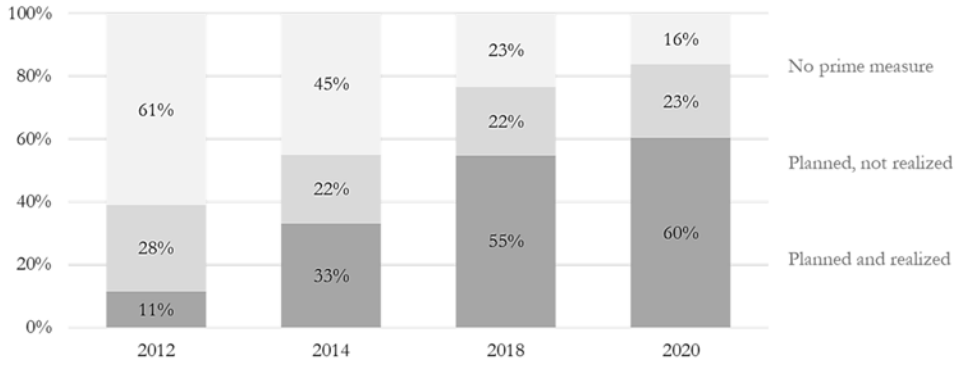


Figure 17: Relevance of sustainability measures in German winegrowing (author's surveys)

The skyrocketing strategic relevance of sustainability for German wine estates concerns all three sustainability dimensions and there are almost no wineries stating that ecological sustainability has no or low relevance.

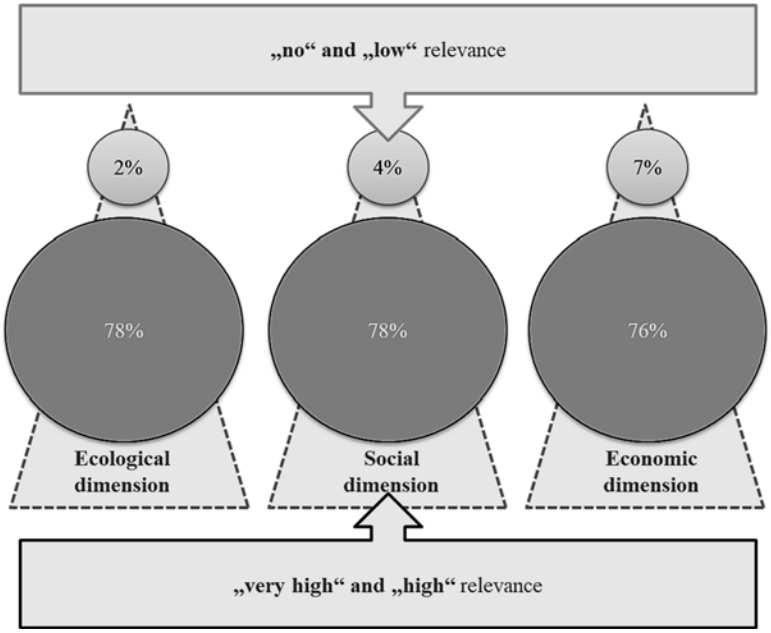


Figure 18: Sustainability dimensions in the German winegrowing industry (author's survey)

The ecological aspects of sustainability are of importance in the winegrowing industry for the simple reason that winemaking entails transformation of grapes, a product that is the quintessence of a *natural* product. **Climate change**, which impinges on the ecology of every single vineyard surface, has a direct impact on wines and wine-

growing. For example, climate change allows for viticulture in regions where this activity was previously not possible, and in transforming the terroir in venerable winegrowing regions alters the character of varietal wines. In a broader context, climate change also has a major impact on seeding, cultivation and grape yields – and this in turn affects the economic sustainability of winemaking. The fortunes of many wineries hinge on unpredictable weather events such as hail, drought and torrential rains, whose severity have been greatly heightened by climate change. Wildfires have had a catastrophic effect on local wineries in California and Australia, while flooding in Germany has completely wiped out a number of wineries. Given that wine is an agricultural product, winemakers are acutely aware of the pivotal importance of ecological sustainability, because without it, their **ability to produce wines** may be seriously compromised. But paradoxically, farming per se and the attendant production processes have a negative ecological impact. Winegrowers must make use of crop protection measures. Organic farming, biodiversity and robust varieties of grapes that are resistant to fungus and pests are all reflective of the relevance of the **ecological aspects of agricultural activities**. In some regions of the US, the expansion of vineyard surfaces necessitates access to water – which illustrates how vital a sufficient supply of water is to viticulture, via precipitation or other sources; and this in turn places wine grape cultivation in direct competition with other farm crops. Therefore, ecological sustainability is of paramount importance. The privileging of ecological measures shows that **concrete sustainability activities** that are subject to **direct influence** are of central importance. Virtually all vintners regard fertilizer management and tillage as being key building blocks of their sustainability activities. More abstract or complex measures are packaging or carbon footprint.

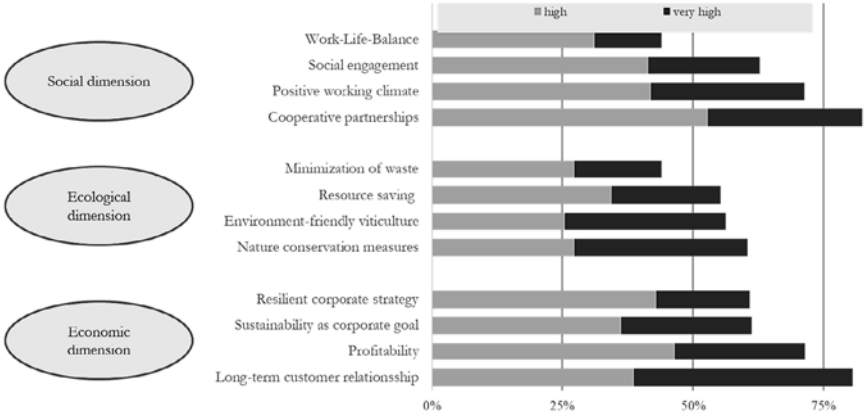


Figure 19: Sustainability measures of high importance in the German winegrowing industry (survey results)

For all the obvious importance of the ecological side of sustainability in the winegrowing industry, the two other dimensions – namely social and economic sustainability – are also key considerations. When it comes to the former, many observers have emphasized winegrowers' dependence on **farmworkers** (oftentimes culled from low-wage regions) to harvest their grapes. Winegrowers are an integral part of the **fabric of local communities** and local land use, given that winegrowing in-

volves the use of farmland, generates noise and emissions, is a fixture of local landscapes, attracts tourists and creates jobs – and cannot of course be readily relocated elsewhere. Moreover, it is in the self-interest of smaller winegrowers to adhere to the tenets of social sustainability, given the oftentimes daunting challenge they face of preventing productive, hard-working employees from seeking greener pastures – which explains the appeal of businesses that offer their employees fair wages and a chance at social integration. The wine industry is notable for the robustness of its philanthropic activities, which are unfortunately taken for granted by outsiders because the winegrowers in question are lax when it comes to publicizing their socially progressive efforts.

In order for winegrowers to survive (and thrive) over the long term, they need to keep their heads well above water financially – hence economica sustainability translates into financial resilience and the ability to realize investments. The value of long-term partnership scores highest in regard to economic sustainability. Strategic sustainablitiy measures are to ensure value creation to be future oriented, which in turn necessitates making **capital investments** and **remunerating family members** for their labor. In recent years, the profitability of far too many German winegrowers has been below par despite rising incomes and German wineries range at the upper tier of their European peers in regard to profitability. The value of customer relations is also made clearly evident by wineries' sustainability activities.

If German winegrowers followed suit instead of keeping mum about their progressive sustainability activities, they would gain a competitive advantage that would translate into greater amounts of supermarket shelf space. **Reluctancy to publicize sustainability measures** is typical of small businesses and that may be attributable to the complexity entailed by the measures and in consequence by according to communication. However, the growing interest on the part of the wine producers in sustainability manifests that it is increasingly integrated into winegrowers' strategies and business models.

3 Business management

Business management entails a panoply of **decision-making activities** that have a profound effect on a company's success, or lack thereof. In this section, I will be discussing the outward manifestations of managerial decisions from an **institutional** and **functional** perspective with reference to the concept of **entrepreneurship**. In order for entrepreneurship to successfully achieve sustainability, it needs to take into account the relevant operational and especially organizational variables, and consideration the relevant overlapping elements and delimiting concepts and approaches.

3.1 Management

Enterprises can be defined as business establishments that purposefully undertake activities in order to produce and market goods and services. In order for these various activities to be coordinated, they need to be **orchestrated**, and this is what we mean by **management**, **business management**, **leadership** or **governance** – terms I shall use interchangeably in the following.

> The German economist Erich Gutenberg (1897-1984) used microeconomy to explain the theory of a firm. He defined management as the **dispositive productive activity** of subsuming, combining and coordinating the fundamental factors of human labor, resources and materials, with a view to enabling a business to engage in purposeful activities and achieve its desired commercial objectives in an optimal fashion.

3.1.1 Management from an institutional perspective

Governance in organizations is realized by assigning decision and responsabilities to managerial levels and departments. Hence, from an **institutional perspective management** refers to the activities undertaken by a company's decision-making organs (e.g., board of directors; executive committee; regional managers; sales directors). Each member of a company's management team oversees the management processes that fall within their purview and is in charge of the according personnel and gener-

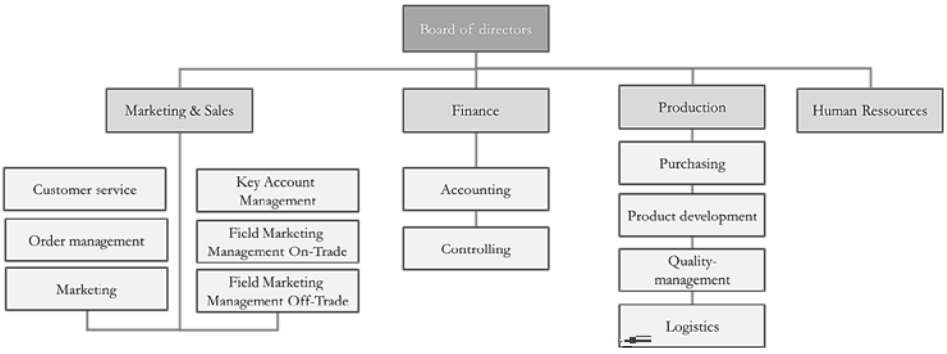


Figure 20: Organization chart of an illustrative wine distributor (research/interview)

ally the budgeting. In large companies, management processes are organized in departments schematized in organizational charts to visualize responsabilities.

In small businesses, however, process management falls to the company's owner or entrepreneur, since the responsibility for all or most activities and decisions rests on their shoulders.

3.1.2 Management from a functional & task perspective

Business management based on a functional mindset involves implementation of a process in which operational goals are defined and achieved by means of specific activities and a constellation of operational elements. In the early times of management theory functional management was defined as sequential steps starting with a planning and ending with monitoring whether the ambitioned targets were achieved.:

- Planning: anticipating and creating of target scenarios.
- Organization: implementation of a framework for action.
- Staffing: filling positions with quality personnel.
- Leading: motivating, orchestrating and developing individuals and teams.
- Monitoring: comparison of target versus actual outcomes.

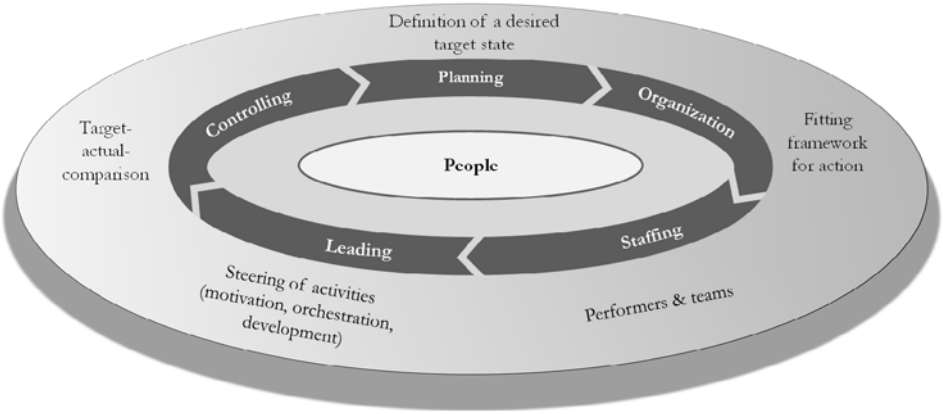


Figure 21: Functional, sequential management paradigm (adapted from Schreyögg & Koch 2014)

In the past, **efficiency and productivity** were of paramount importance illustrated by payments for units produced. In order to improve efficiency individual process steps have been streamlined to the greatest extent possible in the presence of an optimally tight organizational structure. The timing of each and every activity was preordained, as on an **assembly line**, whereby piece-work wages were the embodiment of this approach to management. Elevating productivity to the rank of key factor and making maximum efficiency the ultimate goal via monitoring and set rules reduced workers' bargaining power. But it became increasingly clear that giving workers leeway and fostering worker motivation could potentially make businesses more effective and increase the output (e.g., quality). And so, thanks to a growing awareness of the importance of

quality and creativity in the human resources realm, human capital ultimately came to be regarded not as an operational cost but rather as being key to a company's overall performance. A parallel pursuit of effectiveness and efficiency is required:

- **Efficiency** connotes optimization of worker performance and output – as expressed by the dictum "Do things properly."
- **Effectiveness** has to do with goal achievement levels – as expressed by the dictum, "Do the right things."

The overall view of what management is has undergone a sea change. Nowadays, managerial paradigms do neither claim nor base any more on uncontested accuracy of forecasts. We need to accept intransparency and limited predictive capabilities and therefore limitations of plans in changing environments. Hence, an undisputable faith in plans jeopardizes a company´s future. Instead of detailed plans, scenarios or hypotheses provide orientation but allow flexible responses and adaptations. Furthermore, individuals and organizations cannot be programmed like computers – all frameworks, and organizational designs therefore remain imperfect. People are individuals and a valuable asset.

> The **auto industry** is a textbook example of a sector that management attention shifted from an efficiency to an effectiveness orientation. The remarkable success of **Toyota** and other Japanese automakers in the 1990s was attributable to the outstanding quality of their products, which was in turn the result of changes in these companies' management practices (Womack et al. 1991). Toyota stood the profit-motive oriented assembly line approach by instituting what came to be known as **Kanban** method. The Kanban Method gets its name from the use of Kanban: visual signaling mechanisms. Instead of speeding up the assembly line in the interest of maximizing output, workers determined the speed of the assembly line by indicating when they were ready for the next work step – all this in the interest of privileging quality over quantity. The **winegrowing industry** also transforms from productivity to quality-focus: for example, German wine production has reduced total annual wine yield from 15 million hectoliters in the early 1980ies to a yearly average of less than 10 million.

If, in earlier times, it was an article of faith that business management began with planning and was the foundation for all subsequent activities, nowadays planning is increasingly regarded as an **orientational framework** with a need to constantly revise plans in parallel of their implementation. Scenario based management is essential, given (a) the impossibility of precise planning for most circumstances; and (b) the fact that allowance must be made for unplanned events and circumstances, so as to prevent managers from making decisions leading to undesirable outcomes. Much the same holds true for monitoring, which nowadays is regarded as an **ancillary activity** that tweaks the system or process in question, rather than as a definitive target number when missing it has a sanctioning effect. The evolutionary process with an emphasis on showing appreciation for the workforce's active contribution represents a **modern view of governance**. Inviting employees to take responsibility and entrepreneurial thinking, strategic thinking and sustainability loosen the grip of rigid functional approaches to management. Infusing more entrepreneurship into a company's

day to day operations and strategizing will heighten organizational flexibility at all levels by making employees more willing to make decisions and take responsibility. Sustainability substitutes dichotomous thinking in quantity versus quality.

The consensus nowadays regarding management is that future events can be forecast and shaped to a limited degree only. In businesses whose personnel constitute the decisive work-related factor, the ideal or desirable management responses to the day-to-day operations of their company are not of course amenable to being programmed like software. In reality, the various activities undertaken by a company are interdependent and intertwined, thus precluding strict, reflexive adherence to a given sequence of management steps. If an essential machine breaks down during a wine harvest a replacement needs to be found as quickly as possible because harvesting is a process subject to a narrow time window. Such switch can play agains the planned reduction of costs through mechanization. The winery ultimately needs to revamp its planning assumptions in light of having had to make an ad hoc decision based on altered circumstances. But if, on the other hand, a wine importer at a trade show proposes a winery to generate export revenue for the winery, then the winery is in a position to reach a decision based on reality-based planning, so as to ensure that the importers' offer is economically viable. Hence, business management is no longer regarded as a sequential management, for the reality of day-to-day businesses operations and management is actually determined by viewing management activities and scenario-based prioritization as entities that unfold concurrently. Managers need to keep their options open and to update and rethink the plans and the assumptions on which they are based, so as to ensure that their organizations remain nimble.

> Following are the thoughts of Peter Bohn, of the German wine vendor **P.J. Valckenberg**, on strategic business management: *"Prestige and reputation alone will get you nowhere fast. In our company, decisions and agreements are made expeditiously."* Peter Bohn and Tilman Queins took over a formerly family-owned wine company of which they had been for many years. The company's ten member staff relocated to a new building, whose design and furnishings have a startup feel to them: white walls, white conference tables, giant sized computer screens. Messrs. Bohn and Queins felt strongly that, once they took over the company, they would flatten out its hierarchies and expand into other areas of activity. *"I'm not particularly partial to the term restructuring. However, a family-owned company needs to change with the times, if it wants to survive."* Continuous evaluation and analyses of the company's liquidity, profitability and income enable its two leaders to determine the organization's status at any given time. *"Decisions based on gut feeling invariably incorporate the essential relevant facts,"* Mr. Bohn points out. Thus, the company's employees know that its sales revenues last year amounted to €4.4 million, a €400,000 jump over the prior year. (excerpted from an interview in Handelsblatt.com)

3.1.3 Management styles

The former belief that a person is born a leader has tended to confine the view of governance merely to the **personal traits** that go to make up a leader. However, contrary to this view, in reality leadership skills are anything but innate and no one can justifiably claim that in becoming a leader they are following the absolutely right path – for no leader is infallible, no management style is always superior to another – nor is any particular approach to governance infallibly the key to success.

The term **management style** refers to the general comportment of managers, executives, team leaders and the like, how these individuals react to any given situation, what they expect from their employees, and how they go about making decisions based on their core beliefs. The scope of leeway has given rise to a constellation of management style typologies such as authoritarian, egalitarian, democratic, ethical and participatory – to name but a few.

An autocratic and patriarchal management style where company's executives and managers expecting their underlings to do as they're told unreflectively, is a throwback to an earlier time and can thus be regarded as outdated. In contrast, today's managers tend to regard their employees as a **performance factor** rather than a cost factor. In order for a business enterprise to be optimally effective and efficient, its employees need to reach their full potential in carrying out their appointed tasks. This principle has led to efforts to foment employee motivation, via the establishment of teams that are an integral part of everyday businesses operations – and in some cases to profit sharing or stock option programs for company employees. Nowadays, managers tend to favor a cooperative management style, as is evidenced by frequent instances of employees playing an active part in decision-making.

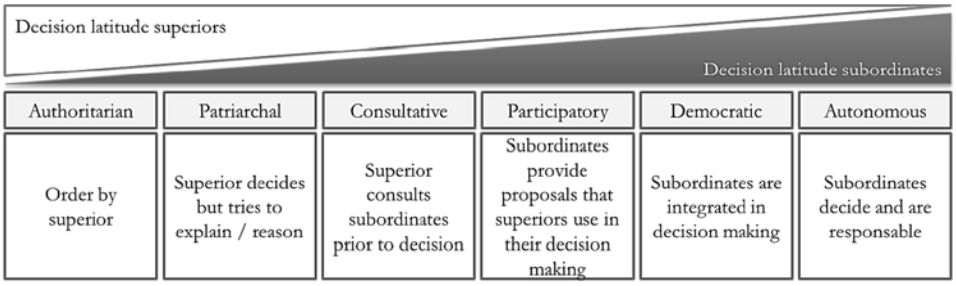


Figure 22: Management styles as a function of decision-making leeway.

Use of the following **management tools** represents a repudiation of hierarchical, planning-driven management comportment:

- **Management by objectives (MbO)**: Employees determine the means to any given end, rather than these elements being prescribed by their superiors.
- **Job enlargement and job enrichment:** Spheres of responsibility are enlarged by employees and their jobs are enriched with a view to enhancing employee motivation and avoiding monotony.
- **Teams and task forces**: These modalities enable employees to exchange information and ideas. Synergy between team members can be exploited and limitations of top-down planning processes can be overcome as task force members take over responsibility.
- **Just in time (JIT)**: Minimization of warehousing and storage by dint of optimized processes, as well as proactive cooperation between a company's various teams, and between a company and its suppliers.

- **Suggestion boxes**: As the term implies, suggestion boxes are designed to enable employees to make suggestions aimed at improving work processes. In some cases, if an employee's suggestion is implemented, particularly if it might potentially cut costs or improve the company's bottom line, the employee will be financially rewarded.
- **Management by wandering around (MBWA)**: This readily realizable management tool enables managers to make themselves available – and visible – to their employees. A daily stroll around the company, holding meetings with partners, proactively keeping in touch with customers, instituting an open-door policy (literally or figuratively) are just some examples of MBWA activities. Such practices prove that superiors are genuinely interested in the day-to-day operations of their company, in the personnel who make it happen and that these superiors genuinely value their teams' contributions to the success of the company.

These examples of management approaches and their incorporation into everyday management tools prove that the underlying aim of today's business executives, managers and team leaders is to make their companies more responsive, adaptable and nimble. The key to achieving this is getting employees to adopt a more proactive stance and mindset where their jobs are concerned. The essential ingredient here – showing genuine appreciation for employees' contribution– is one of the core tenets of the social pillar of the sustainability paradigm. Small-business managers can play their advantage of less complexity and often bureaucracy to adopt an agile approach to management, given that there are fewer employees who need to be won over to this approach; plus, employees tend to be more reactive when their teamwork involves multiple areas of activity. **Direct contact** between employees and their superiors promotes productive and frank interpersonal communication and increases the chances that employee feedback will be taken seriously and acted upon.

> The German winery **Weingut am Stein** expresses their appreciation for their staff on their homepage: *"We're very excited about the team we've assembled. They are, one and all, totally committed to their jobs and our company, and hail from a number of different cultures. There's a lot of work to do at our winery, and the work can be stressful – but there's also time for us to kick back and relax with our staff. On Tuesdays, the whole staff gathers for lunch in our winery kitchen, so that we can enjoy one another's' company over some good food – and of course fine wine. We also enjoy the opportunity, on such occasions, to chat with our winery staff and marketing team."*
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> 
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Sustainability management can potentially heighten employee motivation and promote goal-oriented exchanges of views and information. If employees are asked to suggest ways their company can improve sustainability, they are likely to have a more positive view of the company, company managers gain insight into the company's culture and processes and the extent to which employees identify with the company; and of course, they may well glean sound ideas as to how sustainability can be improved. Ideally, **participatory sustainability management** should be based on instruments and methods that have proven their worth, and progress in this arena should be documented. Doing this can enable small businesses to turn the potential drawback of having a relatively small workforce into a strength, given that interactions between a manageable number of people and transparent implementation of suggestions for improvement can be quite motivating. In turn, this enables employees to internalize company objectives and greatly increases the chances that they will reflexively implement them.

3.1.4 Management skills and competencies

Evolving views of and approaches to business management are also placing greater demands on the **skills and competencies** of managers themselves.

Competency encompasses **skills and abilities** and the related **knowledge and know-how**. Three skillsets are of importance:

- **technical skills**: management knowledge
- **social skills**: interact with people and win or convince them
- **conceptional skills**: generate actions from complex facts despite limited knowledge.

Competence also refers to a **sphere of responsibility**. Hence, managers should have necessary skills to be synchronized with the organizational system.

In small business, managers depend heavily on their **technical expertise and know-how** in products and services they produce, what mainly motivates them. As for managers and executives of large companies, they are often hired primarily for their **conceptual skills**. Such managers need to come up with persuasive strategies that factor in the myriad challenges their company currently faces. Heuristic approaches are needed to lead by feasible solutions in light of incomplete information and little time requires. In larger enterprises, managers who are seasoned conceptualizers are complemented for technical and for the most part sociocultural competences by their company's available resources such as the strategy department, communication experts or the HR department or often they resort to external service providers. Small business entrepreneurs by training and skillset are characterized by strong practical skills but increasingly need to excel in conceptional and social skills. A vintner learns their trade by focusing on wine production. Training centeres around winemaking as a highly complex technical skill.

Wolfgang Reitzle was a top manager at **BMW**, **Ford** and **Linde**, and a supervisory board member of the French industrial company **Lafarge** and of the multinational

Continental. Mr. Reitzle's exceptional conceptual skills have enabled him to work for a number of different companies that are active in various sectors.

For small-business owners, communication, social and conceptual skills are increasingly becoming the determining factor for the company's future prospects. Just as example, terms of loans for small businesses are oftentimes more favorable if the company's business plan and projections are presented in a professional fashion. In order to achieve success in today's marketing and sales, winemakers need to plan and persuasively implement a suitable and well thought out plan of action for their enterprise. The make-or-break factor when it comes to winning contracts can potentially be making a highly persuasive presentation who is being courted by a number of competitors. Devising and delivering such a presentation with maximum impact requires verbal and marketing skills, along with the ability to show genuine empathy for and understanding of a foreign culture.In light of the growing demands but a humanly limited capacity of skills, small business managers´ managerial key lies in a skillful combination of networking, partnership, delegation, training, and purposeful abandonment. As an example, the social media as a possible communication channel. To communicate in social media, a small company cannot rely on a PR department. Content, texts, photos must be independently conceptualized, realized and kept up to date. This requires familiarization with the instrument's tools. It can also be entrusted to a person in the company with an affinity for this or a partner can be sought in the network to take over the activities or an external partner for the assumption of the activities can be looked for. Small business owners thereby **profit of a team with different competences** and interest. In light of limited ressources a small entrepreneur might also decide to **refrain from certain activities**, e.g., if social media is felt to be less effective and/or burdensome and to instead privilege persuasive communication with customers through other channels – but it should be a purposeful and conscious decision.

Weingut Dreissigacker: *"Winemaking isn't something you can do on your own – it's a joint effort. And it only works if all involved are in sync with each other, and you achieve a genuine symbiosis – like a wine blend whose components are a magnificent match with each other. That, in my opinion, is the only way to make wine that will be extraordinary and consumption of which will be a memorable experience ...*", a statement by the CEO Jochen Dreissigacker, titled to be the captain of the team.



Increasingly stiff competition and the challenges resulting from the growing complexity of today's business environments make it daunting for small businesses to come up with sound strategies – which is why even the managers of micro-entities need to optimize their conceptualization skills. In addition, a **shortage of skilled labor** and inherent **limits on career paths** within micro-organizations need to be compensated by greater emphasis on **soft skills** of micro-entity entrepreneurs. Privileging these skills helps to foster **empathic leadership**, convincingly realistic future prospects, effective communication, a congenial work atmosphere, and a leader who knows how to fire up his team to win, motivate and retain skilled employees they need. But all this also applies to startups, in that entrepreneurial ideas and businesses plans need to be conveyed persuasively in order to obtain the requisite financing, recruit employees for

a daring and potentially risky business venture, find reliable partners, and win customers who will support bold new solutions. Sole proprietors, who might feel overwhelmed by the complexity of the management challenges they face, can profit of partnering. The supreme importance of the soft skills and conceptualization capabilities of entrepreneurs cannot be overstated, particularly as these elements apply to making a business viably sustainable.



The business and conservative dressing and business interior shown of the management team of the renowned French winery **Château Lafite**, taken on the occasion of Saskia de Rothschild assuming the position of company CEO, emphazises that the company takes management seriously. This orientation, as well as the importance of technical but foremost conceptual skills of the new CEO, are underlined by the reference that Ms. de Rothschild was trained at HEC Paris – a French business school which, according to the school's website, *"is one of the most prestigious and selective grandes écoles [in France]."* (Millar 2017)

Management orchestrates tasks, activities, and interaction in organizations. Managers bear the responsibility and have the obligation to ensure that organizations and its members function and the ambitioned results are realized effectively and efficiently. Small business entrepreneurs can reflect on managerial performance and responsibilities on the following:

[1] Am I acting as the sole leader of my organization, in my capacity as entrepreneur?

[2] Are there any other employees of my company who hold management positions, and if not, would it be advisable for me to create (and fill) such positions?

[3] Which functional management tasks normally fall within my sphere of responsibility, and which ones are carried out my other members of my team?

[4] How would I assess my abilities and those of my management team when it comes to process, conceptual and soft (social) skills?

[5] To what degree is our management style collaborative?

3.2 Organizational design

The organizational design defines the "**Gestalt**" of the organization, hence tasks, fulfillments, procedures, roles, sanctions, and interrelations. **Ad hoc** decisions are substituted by **rules** and **procedures**. An organizational design, meaning structuring work relations and processes, by setting a degree of ruling needs to avoid too tight or too loose organization. Strict regulation might hamper adequate reaction for unforeseen situations. The disaster of the atomic power plant in Fukushima having been flooded by a Tsunami illustrates a flaw in the power plant's organizational design. The plant's workers adhered to rules and procedures that unfortunately did not cover

the particular disaster scenario that was unfolding, thus preventing the workers from taking the steps necessary to react flexibly to sthe catastrophy. On the other hand, achieving and maintaining a suitable degree of organizational structure tightness can help especially very small businesses to thrive, given the importance of overlapping spheres of responsibility and complementary skills in a team when it comes to (a) providing a company's leader or entrepreneur with the requisite support; and (b) avoiding both role overload and underload.

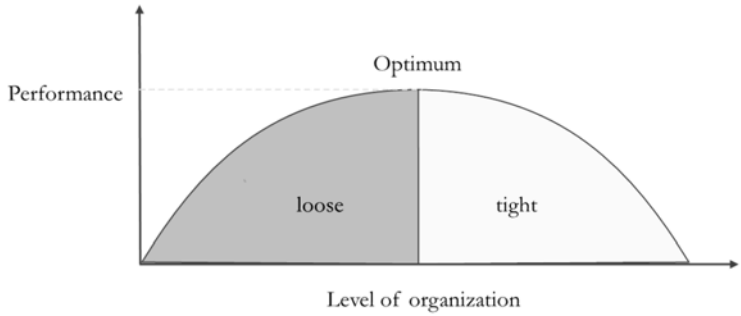


Figure 23: Organizational tightness (adapted from Gutenberg)

In the 70ies, organizational design research was highly popular with far-reaching insights in regard to design implications in the context of strategy and environment,

> "In field studies, Burns and Stalker found that organizations that were profitably coping with uncertain, changing environments had a low degree of formalized structure ("organic"), instead of the higher degree of structure ("mechanistic") associated with financial success in more certain environments. Woodward also found a relationship between the nature of the task and the structure, of the organization. More significantly she found that more profitable organizations tended to adopt structures consistent with the requirements of their technological environments. Similarly, Hall found that departments with routine tasks tended to have a higher degree of bureaucracy (structure) than departments with less certain tasks." (Lorsch, 1967)

According to the theory of **absorptive capacity**, the ability to face up to changes in the business environment is a key success factor for companies with dynamic organizational designs and whose organizational development evolves over time. In order for a business to thrive, its organizational design and hence the structure and the processes need to (a) be in sync with its strategies; and (b) ensure that the company is and remains sufficiently nimble to adapt to changing conditions. Then, the company's organizational and operational structures will function in a manner analogous to a series of drive belts, whereas the organizational element will act as a strategic linchpin - summed up by the now common dictum *structure follows strategy* – although in practice strategy is also determined by organizational structure.

3.2.1 Structuring, delegating and aligning

An organizational structure defines the **hierarchy** in an organization. Division of labor has proven worthwhile to divide an organization's activities into tasks and to assign those tasks to specific jobs defining the skills and abilities necessary to perform assigned tasks. Larger companies usually are characterized by more tasks and jobs and therefore a high need for structuring to coordinate.

Video link: Eva Fricke – Organisation und Delegation
https://www.arte.tv/de/videos/072714-000-A/square-fuer-kuenstler/

Lifecycle is one of four prime determinants of organizational structure. A startup company begins with an idea and few employees. Its processes are still in flux and each member of the small staff will need to carry out tasks that are popping up or in the individual´s perspective of relevance. Once established, the company will have grown in tasks, jobs, and workforce, hence there is a need to create an organizational chart that defines and visualizes responsabilities. The organizational chart provides orientation in regard to hierarchical relations, job boundaries, teams, and reporting lines. Established companies possess job descriptions covering job content, needed skills, and competencies. Another determinant of organizational structure is a given company's business **environment**. In low-dynamism environments, a relatively tight organizational structure is useful, whereas in a dynamic environment flexibility is desirable. Interplay between a company's **personnel** and its organizational structure is common. In the banking industry, senior executives are controlled by an external regulatory body whether they consent with the standards and practices governing banking operations to ensuring that employees who undertake risky transactions will not jeopardize the bank's existence, as occurred with Baring Bank. Trustworthy people with a proven track record are filling those roles but with strong decision power and controlling of external authorities. So are more bureaucratic public agencies or institutions. To the contrary, a risky startup venture excites people who prefer working without boundaries or set working hours. In highly **technologized** companies such as automobile plants where most work is carried out by robots, the organizational structure will tend to be tighter than in enterprises that use little or no advanced technology, such as craftsmen.

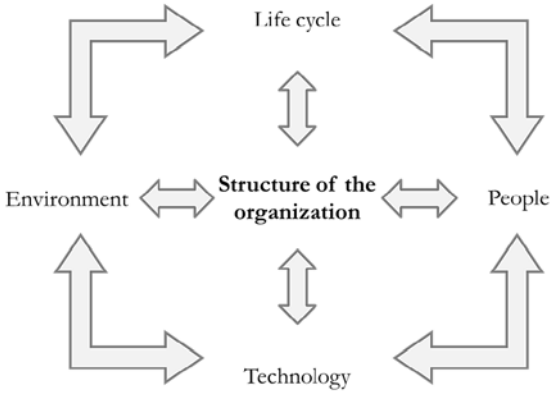


Figure 24: Determinants of organizational structure

An organizational structure takes on its characteristic shape by grouping constellations of positions into departments: An organizational **structure by functions** gives

rise to departments such as purchasing, administration or sales, whereas a structure that is organized **by geographic regions** could result in responsabilities for north versus south. A **customer oriented organizational structure** can for example split private, online and business customers, as well as trading partners. A structure organized around **divisions** – such as different brands or industries - is generally suitable for product lines that require differing marketing approaches and strategies (e.g., a drinks company structuring in wine versus spirits versus sparkling wines).

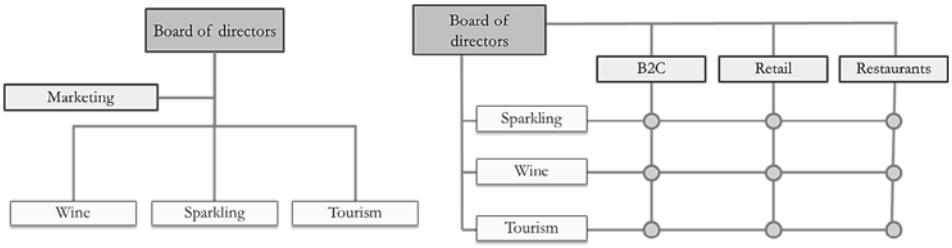


Figure 25: The basic forms of organizational structure: divisional versus matrix

The structuring involves the organizational interplay between departments and the allocation of spheres of responsibility and channels of communication. In a **linear organization**, the manner in which employees report to their superiors are clearly defined by direct and exclusive subordination. This results in highly defined assignments of spheres of responsibility but eventually gives rise to egocentric behaviour within departments. An alternative to this type of organization is realized by **multiple reporting lines**, for example in a **matrix organization**. The aim of which is to promote close cooperation between departments in a multi-allocation business culture. However, in order for a matrix organization to work, its senior managers also need to be ready and willing to collaborate and cooperate with their team members, and to facilitate communication between departments and positions.

A position that endows its holder with the right to make decisions is known as an **instance**, or level of authority. A company hierarchy consists of and is determined by multiple layers of authorities. **Flat hierarchies** have relatively few managerial layers and allow team members to report to their superiors expeditiously. Organization ambitioning for **lean management** will seek to keep layers of management to a minimum. The **span of control** counts the number of people who report directly to a given instance. Too many subordinates stretch the supervisor. Hence, the structure needs to balance between the number of layers of management and the span of control of a company's instances. Small businesses with flat hierarchies and direct interaction increase their agility and the ability to evolve. This can constitute a strategic lever for competitive advantage.

3.2.2 Processes and synchronizing activities

A process defines the **sequence of a series of activities**. The processes in a businesses organization unfold interdepartmentally and increase in complexity. Processes are divided into **core processes** (e.g., order processing), and **support processes** (e.g., ordering office materials). Process requirements being ramped up is based on in-house specifications for matters such as quality management, occupational safety, environ-

mental protection, and efforts to improve sustainability, but can also be attributable to third-party standards (e.g., for food safety), and the will or need to fulfill norms (e.g., ISO certification). Organizations strive to be customer oriented, to get things done quickly, to achieve high quality in everything they do, to be results oriented and to keep process costs to a minimum. Under such a paradigm, processes need to be continuously called into question and optimized, in light of the company's avowed goals and the need to adapt to the increasingly demanding and changing environment. Changing environments require a high degree of flexibility and the willingness to take procactive action. An **agile organization** ensures enterprise´s resilience and competitiveness over the long haul.

Agility means maneuverability: In order for an organization to be agile, its structures and processes must be somehow flexible and where necessary adaptable. **Agile organizations** are often notable for their transparency, the ability to foster a culture where mutual trust is the watchword, and the willingness of their personnel to (a) communicate and interact with each other productively and constructively; (b) learn (and to learn from their mistakes); (c) take charge of tasks and spheres of responsibility.

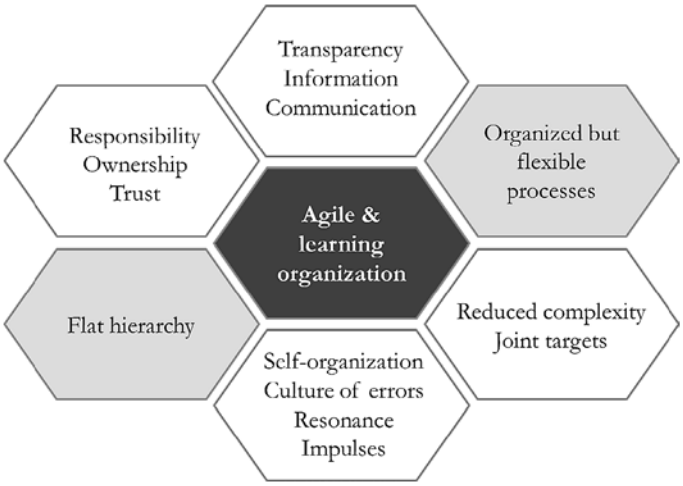


Figure 26: Characteristics of an agile organization

"Despite the fact that **Biontech** was a startup and its main focus was on researching medical solutions in the field of oncology, the company was able to develop, manufacture and distribute its Covid-19 vaccine (Comirnaty) in record time. Manufacturing the vaccine involved orchestrating some 50,000 different processes which, because the quality of the product has an impact on patient health, were also subject to the most exacting standards for cleanroom technology and the like. It is no exaggeration to say that all this represents a scientific, organizational and operational stroke of genius that is having a lasting effect on human health." (*Die Zeit*, 8 April 2021, p. 23)

Small businesses being less complex, and more transparency compared to large enterprises can potentially benefit instituting productive, efficient, flexible and customer-oriented processes. But in order to do this, those in charge need to reassess their company's current processes, experimenting with these processes and trying out new solutions. A culture of experimenting and eventually **learning from mistakes** and delegation to the team members will foster self-organization and nurture resilience.

3.2.3 Enterprises´ size as determinant for organizational design

Company size is expected to determine the company's decision-making processes.

> Characteristics that are customarily used to **classify** companies are: business sector (e.g., trade); company size (e.g., micro business); lifecycle phase (e.g., startup); general operational activity (e.g., processing); type of manufacturing (e.g., custom-built); primary production factor (e.g., human resources); legal form (e.g., limited company); geographical scope (e.g., multinational); and economic purpose (e.g., for-profit corporation).

Larger companies have a number of inherent advantages: (1) They can potentially benefit from **economies of scale**; (2) They are more **appealing to potential recruits**, by offering career paths given extensive hierarchies and the potential of expanding into foreign markets, both of which offer greater opportunities for career advancement; (3) Greater **risk capacity**; (4) More ready **access to capital** markets; (5) Their operations tend to be more **strategy oriented**; (6) Tighter **organizational structures**; (7) Decision making tends to be carried out in a more **professional** fashion. The advantages inherent to small businesses are as follows: (1) They tend to be more **flexible** and nimbler; (2) Eventual **family ambience**; (3) A **variety** and portfolio of activies (4) Superiors and decision makers are more **accessible** to their subordinates; (5) Greater **transparency**; (6) More **collegiate** and relaxed interpersonal relationships. However, such advantages need to be assessed in the situational context: small businesses can also have a tight organizational structure, and large companies can be risk averse. Moreover, businesses executives and their workers tend to view the pros and cons of company size based on their own personal preferences.

Being an effective **leader** of a company means **making decisions**. This tenet holds true for companies of all sizes, but the nature of the actual decisions that are reached in a given company largely depend on its size. Decisions in large companies are reached in multiple organizational units on the basis of **division of labor** and the allocation of responsibilities. Decisions in small companies, as well as preparations for them and implementation of them, falls to the company owner or few individuals. This decision-making paradigm, whereby decisions are entrusted to a relatively small group of people, has one great advantage – namely that it allows for flexibility, and when necessary, decisions can be made expeditiously. Thus, large companies can be compared to a container ship which, when it needs to change course, is much slower than smaller, more maneuverable speed boats, i.e., small businesses, when *they* see the need to go in a different direction. But it should also be borne in mind that decisions made by one person, or a small group may be plagued by **blind spots**, i.e. the

decision makers may fail to notice key factors that should enter into their decision making – a situation that can be avoided through networking.

> *"Big tech companies and large corporations tend to steal the spotlight; however, small businesses are the backbone of the American economy. … They are a major source of innovation, economic growth and prosperity"* (Main 2023)

If management research and literature have for long focused on large organization with the development of standard methods for strategic management for corporates, small businesses far outnumber large corporations. The EU has defined size-based enterprise categories, based on annual revenue, workforce size, and balance sheet total.

Table 3: Enterprise categories (European Union 2015)

Category	Workforce size	Annual revenue	Balance sheet total
large	min. 250	min. 50 million	min. € 43 million
medium-sized	less than 250	max. € 50 million	max. € 43 million
small	less than 50	max. € 10 million	max. € 10 million
micro-entity	less than 10	max. € 2 million	max. € 2 million

SMEs make up for 99% of the businesses in the European Union and safeguard growth and innovation. For example, of Germany's more than 2.6 million business enterprises, only 1 percent fall into the "large" category, while 82% are classified as micro-entities. The wine growing industry, as a craft business, is dominated by small entities: more than sixty percent our wine grower survey population have less than five employees' enterprises and just 15% stated to have an annual revenue of more than 2 million Euros.

Decision-making in large enterprises differs substantially from this process in small businesses. For instance, a large corporation's wish to acquire a competitor may be born by a strategy department team's market analysis. Company executives might approve the idea in case of strategic fit. Following, the strategic measure may entail a coordinated effort with the company's finance department. Subsequently, an external management consultant or an investment bank might be assigned the task to identify possible candidates for a takeover. In a small business, however, the owner may for example consider whether taking over a neighboring enterprise that is going out of business is sensible and feasible, and whether the risk entailed by such an action is acceptable. The takeover will then proceed in consideration of its financial feasibility and in collaboration with the owner of the company that is being taken over.

Size related differences also influence the **sustainability management**. Large companies establish a team or department dedicated for their sustainability strategy and in the following communicating with stockholders and others - they can turn to an in-house institutionalized infrastructure. Every annual report issued by a publicly held company draws attention, often with glossy layouts, to its sustainability awareness and the related initiatives. **Funds** are allocated for hiring external consultants and for ISO and other certifications. Such companies' sustainability philosophy and

programs are communicated on behalf of a **professional marketing** department via suitable marketing channels. And even when large companies egregiously underperform in this arena, they have the **deep pockets** necessary to compensate for such shortcomings in a court of law, or other forums. But as such companies may also come in for criticism, protests and the like from activists and advocacy groups, it is in their own interest to implement the sustainability measures to which they've committed themselves in their own communications. Ideally, sustainability strategies should be the main drivers of all actions taken by a company and should be rooted in the whole spectrum of marketing activities. It's not in the least surprising that large oil companies come in for criticism from everyone from advocacy groups to investors or shareholders, given that they make elaborate announcements concerning their efforts to make their operations sustainable, but then basically do nothing to lay the groundwork for a sustainable future their enterprise.

Small businesses face a different challenge, however – namely that they often **lack the time, financial resources, transparency and interest** in the relevant concepts to make a serious commitment to implementing sustainability and telling the world about their accomplishments in this domain, and what motivated them to strive for sustainability. If a small business decides to obtain a third-party sustainability certification, for instance, they will incur considerable expense for consultants' fees and the certification itself – and this in turn may stretch the company's limited resources to an unfeasible degree. Related to this is the fact that divulging information may not even be at hand, since small businesses are not subject to the same statutory documentation and disclosure requirements as large corporations. Some large companies set the standards for sustainability, or they hire outside consultants to define targets and process adjustments that the company feels they can live with, options simply unavailable to small businesses. Small businesses already face the challenge in finding an adequate benchmarking partner to assess individual level of sustainability. But if small business owners turn sustainability into a vehicle to create transparency, a tool to strategically orchestrate and a basis for later interaction with interested customers, then hurdles are readily overcome, and the creative force of sustainability management can have free rein. The value created by such a stance will also become readily apparent, along with its positive impact on a company's **reputation** and on **consumer awareness** of its brand – as has already occurred in many large companies. If sustainability becomes a core motivator for entrepreneurship it will foster and help to ensure the success of the kinds of cooperative arrangements that are becoming ever more common in today's business world. Thus, sustainability can help enterprises both large and small to **differentiate**, a key factor in today's increasingly competitive markets.

Embracing **sustainability provides small businesses with a strategic framework** and enables them to pursue and implement sustainable entrepreneurship; empowers them to reap the benefits of streamlined processes, and thus to optimize the transparency of both upstream and downstream process. This in turn allows for tight and efficient coordination of all actions taken by the company both in-house and with its partners; the development of a highly desirable by-product for small businesses, in the guise of a **strategic marketing concept**, which comes in very handy for both governance and communication. In large companies, it is crucially important that all sustainability related actions and programs be implemented by the company's top

echelon, so as to prevent sustainability from being reduced to hollow words in a press release or to greenwashing (i.e., a company giving a false impression of its environmental impact or benefits.

A company's organizational design and culture form the backbone of the company's ability to make decisions and take action. To this end, entrepreneurs should make a habit of reflecting on the following:

[1] Have I implemented a flat hierarchy that gives my workers adequate permission to make decisions? Is there sufficient interaction within the members of my team or teams, and between the various hierarchical levels and myself, as entrepreneur?

[2] Does my company have a sensibly tight organizational structure and reasonable rules and regulations? Are my workers given adequate leeway concerning their decision-making and spheres of responsibility? Are general standards of behaviour and decision-making rules in force and followed; or do decisions tend to arise from a given context and do my workers take responsibility for their own decisions? To what extent does my enterprise respond in a flexible and agile fashion to changes that affect our company?

[3] Are efforts made to promote an organizational culture that is notable for open and honest communication, transparency and trust? How do we handle mistakes and positive/negative feedback about workers' performance? What steps do we take to ensure that all our workers will learn from both their mistakes and their accomplishments?

[4] Am I capitalizing on the inherent advantages that I have over large companies?

[5] Am I imbuing my enterprise with my personal and intrinsic sustainability aims?

3.3 Entrepreneurship

If, for many years, entrepreneurship, like leadership skills, was regarded as a function of the character traits of successful businesspeople, a consensus ultimately developed that this narrow view of the determining factors of entrepreneurship is unrealistic and misleading. Basically, enterprise governance and entrepreneurship both involve (a) carrying out specific activities and assuming specific responsibilities within a given business; and (b) the manner in which business decisions are reached.

3.3.1 Salient features of entrepreneurship

Management of an enterprise and entrepreneurship are overlapping phenomena. An entrepreneur runs a business by orchestrating the various management activities of their organization. If entrepreneurship is often associated with **ownership** of a business, actual companies may have employees that act in an entrepreneurial fashion, or owners who do not. Entrepreneurship characteristic of managers in or manifested by organizations is often refered to as **intrapreneurship**.

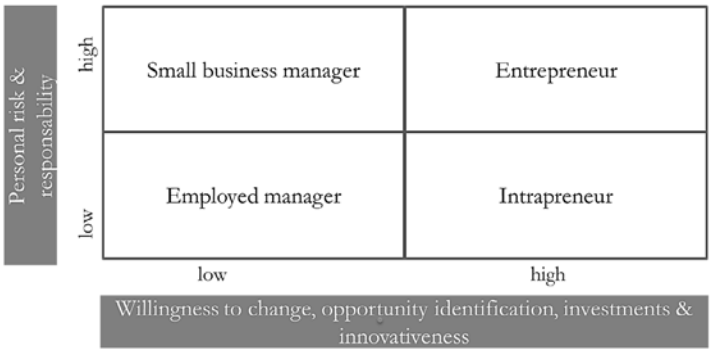


Figure 27: Entrepreneurial ambition versus performance (survey results)

Entrepreneurship comprises proacitivity, willingness to take risks and inventiveness:

- **Proactivity**: certain situations are regarded as opportunities and motivate entrepreneurs to take action.
- **Willingness to take risks**: Instead of being ignored, potential or actual risks are faced head on, by weighing the risks and opportunities entailed by a specific risk.
- **Inventiveness and innovation**: the readiness to forge new paths and experiment with new solutions.

Entrepreneurship has a great deal to do with the **determination** to achieve ambitious goals – which are readily achievable insofar as certain situations are regarded as opportunities and the related solutions devised creatively and imaginatively.

"Entrepreneurs must love what they do to such a degree that doing it is worth sacrifice and, at times, pain. But doing anything else, we think, would be unimaginable."
Howard Schultz, Starbucks Coffee

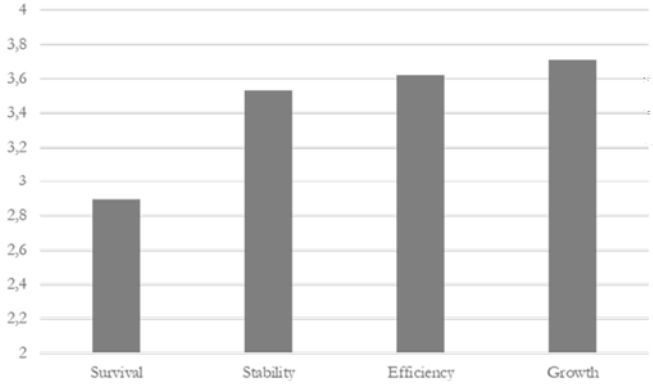


Figure 28: Entrepreneurial ambition and success (several performance variables, mean value, 1=very low; 5=very high) (survey results)

Although winegrowers' activities revolve around cultivating and processing wine grapes, the kinds of goals they define for their enterprises tend to reflect their entrepreneurship. Wineries achieve notable success if they set ambitious goals - a sure sign of entrepreneurial ambition.

Entrepreneurship also involves **taking risks**. The rule of thumb here is that risk exposure and potential rewards correlate – which in effect means adequate compensation so that the entrepreneur has the moxie to take the requisite risks. Risk management profits of a good portion of **luck** as well.

> *"Secrets to Success"*: Virgin Group founder Richard Branson being interviewed by LinkedIn (YouTube)

Entrepreneurial action and decision making are nourished by the **character traits** of the decision maker – which also have a major impact on the organization as a whole, its business culture, its strategic orientation and its implementation rates – and ultimately on the overall success of the enterprise. Ideallly, an entrepreneur will be genuinely fired up about their own ideas and will have the **ability to convey this enthusiasm** to others. The successful entrepreneurs will refuse to rest on their laurels (or those of their company) or be fearful of **venturing into new territory** and will instead always be on the lookout for fresh opportunities, challenges and solutions. Entrepreneurs hence regard **challenges as opportunities**, with a view to achieving new goals. The latter should be planned with future prospects and possibilities firmly in mind, but a need for flexibly and willingness to make the requisite decisions. Entrepreneurs tend to revel in being their own boss and welcome the opportunity to **spend considerable time and energy** on developing and implementing their ideas.

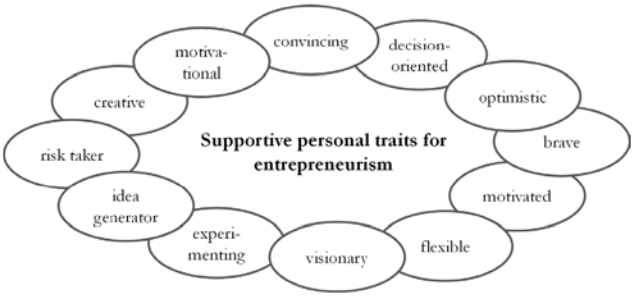


Figure 29: Personal traits fostering entrepreurism

> "*Sir Richard **Branson** (born 1950), British entrepreneur and adventurer, who was a school dropout, formed Virgin (so named because Branson considered himself inexperienced in business) By the 1990s the Virgin conglomerate, which was among the largest privately held companies in the United Kingdom, comprised some 100 businesses, including Virgin Megastores. In 2004 Branson formed Virgin Galactic, a space tourism company offering commercial suborbital passenger flights. Branson was part of a two-man team that set a record for a powerboat crossing of the Atlantic Ocean. Branson was also a member of teams that made attempts in at round-the-world balloon flights. He completed the first solo nonstop circumnavigation of the world in an airplane. In 2021 Branson made a suborbital spaceflight in a Virgin Galactic spacecraft.*" (Britannica 2023).



For **Elon Musk**, the creator and CEO of Tesla (among a number of other accomplishments), the current shakeup in the auto industry is not nearly enough and has left him hungering for much more. And so he has decided to pursue a number of strikingly ambitious visions, such as space tourism and the colonization of Mars, being the founder, CEO, and chief engineer at SpaceX.

The **personal values** that are important to an entrepreneur will also have a major impact on their sustainability strategies. This holds true when it comes to focusing on the three pillars of sustainability, the extent of the entrepreneur's ambitions and the implementation measures that are decided upon. The more convinced an entrepreneur is of the necessity and utility of a full-steam ahead approach to sustainability, the more authentic and heartfelt the implementation of those goals will be.

3.3.2 Entrepreneurial roles

A manager´s day is highly diverse with a portfolio of various tasks to be performed. A day might start with a team meeting to discuss operational issues, or one might find in a need to negotiate new contracts or representing the company in a field trip of politicians, a board meeting, or approving a request for vacation requests of employees. The tasks require performing in different roles. Management expert and professor Henry Mintzberg observed ten different entrepreneurial roles that he subsumed in three role categories: **interpersonal roles** that enable an enterprise to make a positive impression on outsiders and help to enhance the company's reputation; **informational roles**, which allow information to be handled and communicated properly; **decision making roles**, i.e., orchestrating an enterprise, such as innovator, problem solver, resource allocator and chief negotiator.

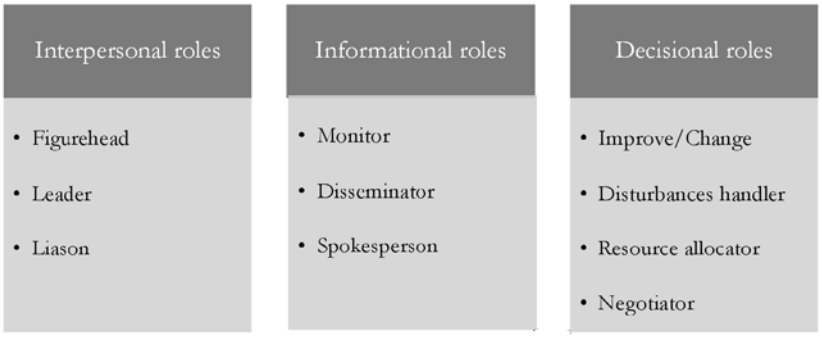


Figure 30: Entrepreneurial roles (Mintzberg 1975)

It is especially important for small-business entrepreneurs to have the ability to perform in the different roles, given that they are the main contact person, spokesperson and decision maker. Observing a German vintner for a period of four weeks revealed the relevance of Mintzberg's managerial roles for a small business owner in the wine industry: informational roles turned out to be primary importance but roles´ relevance strongly varied depending on the daily duties: A day of harvest demands strong focus on resource allocation whereas during the winery's open house the entrepreneur predominantly represented the winery.

Theresa **Breuer**, a winemaker and winery owner in the Rheingau expressed the need of situational entrepreneurial roles in an interview: *"I'm extremely fortunate that we have a superb and talented team working for us here. Each team member has their assigned tasks, and I'm somehow in the middle of all this. I'm more involved in coordinating the strategic side of things than strictly operational – i.e., production related – matters. The only time I get involved with this aspect is during the wine harvest and when we decide on when to begin the harvest. Those are my five sacred weeks in the vineyard. Jointly with my wine cellar manager and vineyard manager I have the final say when it comes to blending our wines. Predominantly I devote my time to sales of our wines and represent the winery."*

If roles sometimes overlap and performance of a particular task isn't a perfect fit with a particular role, the managerial role theory clearly shows that small-business entrepreneurs need to carry out their management functions fully and contextually.

3.3.3 Entrepreneurial decision making

Entrepreneurs who mostly reach decisions on their own need classic business management tools and methods, when it comes to optimizing their decision-making processes and outcomes. The manner in which such tools and methods are deployed is determined by the nature and typology of the decision in question. Basically, business decisions are based on twin principles of economics theory, namely the **minimum** and **maximum principles.** The former holds that a specific successful outcome should be achievable through use of the lowest expenditure, whereas the latter holds that a defined expenditure or budget ambitions for the greatest possible success. In an extension of this theory, in the literature a distinction is made between two different entrepreneurial decision-making processes – namely **effectuation** and **causation**.

A **causation**-driven decision making process aims for a specific outcome, for which the requisite resources and conditions are deployed in such a way as to ensure that the planned, intended outcome will be reached. This process is, in essence, an instance of the end justifying the means. However, in reality, many business decisions are made without a specific objective or outcome in mind and are instead determined by the available resources. Action will then be taken in accordance with this limiting factor, with a view to achieving thereby reachable objectives. This resource-driven decision-making process is known as **effectuation.**

Both of these decision-making principles entail a series of sub-principles, as can be seen in the table below:

Principle	Effectuation	Causation
Bird in hand	Based on available resources and means (who am I, what do I know, whom do I know)	Goal oriented (what am I trying to achieve, and which resources do I need in order to achieve it)

Affordable loss	Decision making processes based on affordable loss (legitimization)	Means and expenditures are justified by projected earnings
Lemonade principle	Capitalizes on random, accidental events and factors	Planning to avoid the unexpected
Crazy quilt	Partnership trumps competition	Competition trumps partnership
Pilot in a plane	Focuses on manageable and controllable aspects of an uncertain future	Sound planning and forecasts avoid unpleasant surprises

Table 4: Effectuation versus causation

Dirk **Niepoort**, celebrated as *"fabulous, most prominent winemaker and vintner legend in Portugal"*, founder of the Portuguese winery **Quinta de Nápoles**, explained his decision and creation of the newly built winery to visitors: *"I'd always imagined what I wanted my optimal winery to look like. When I stepwise realized how much this vision was going to cost me financially, I sometimes really had to take a deep breath. And yet I felt that I need that winery and that I am able to afford it."* This is a prime example of effectuation that is driven by the precept of realizing your dreams and affordable loss.

Kloster Eberbach, a state-owned German winery located in a former abbey in Eltville am Rhein, had to mount convincing arguments to the ministry of Hessen´s planning commission, its owner, as to why it wished to erect an imposing building right in the middle of its vineyards – a highly prestigious location encircled by medieval walls. The decision-making process centered around a business plan that assessed the viability of the possible outcomes – namely the expected proceeds from the sale of the existing winery real estate, a potential sales bump from so-far not possible red wine production, premium styles of wine, and production volumes that were amenable to being ramped up. The projected earnings justified the venture, an example of a causation-based decision-making process.

The nature of any given decision-making process tends to be determined by institutional and personality factors, as well as the situation that the decision is addressing. Causation and effectuation decision making processes are both valid approaches and are sometimes used interchangeably or complenetarily. Causation is the dominant process when it comes to classical approaches to and theories of business management. Studies have shown that in situations of high intransparence and where the right decision is far from self evident, effectuation decision making processes (which also tend to be at instances **intuitive**) seem to produce the best results. It is for this reason that many startups initially stem from effectuation: they seize opportunities using the available resources. Innovative business models are more likely to achieve success through incremental realization, trial and error, and continual tweaking of the measures being taken. It certainly seems to be the case that in times of crisis, intuitive decision-making processes allow entrepreneurs to react wisely to unanticipated changes or opportunities that may arise.

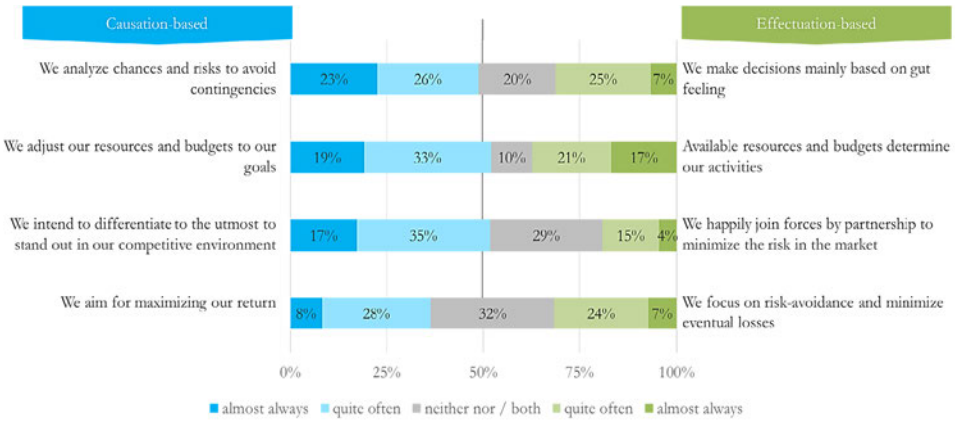


Figure 31: Effectuation versus causation in innovation decision (survey results)

The results of our survey underline that each of the presented decision-making philosophies comprises distinctive elements. These decisions can be based on any number of things, from the nature of the decision itself to the personality of the decision maker – and of course the situational factors that come into play. During the height of the Covid crisis, past experience no longer served as a guide to future action. Owing to the resulting falling away of the usual guideposts, careful long-term planning fell by the wayside, only to be replaced by the oftentimes urgent need to make spur of the moment decisions and resort to the **trial-and-error** method. Wineries that had been selling their wines to restaurants for decades had to contend with severe sales losses owing to the shuttering of these establishments. This led to a new, experimental approach – online wine tasting. Seemingly overnight, new online services such as Zoom became available, and consumers started to feel more comfortable with this modality than face to face contact, with its ever-present risk of infection; and vintners have also embraced these new technologies, allowing to reach distant and scattered consumers. The urgent need to take action resulting from Covid resulted in the widespread use of effectuation decision making processes.

3.3.4 Family-owned businesses and entrepreneurship

In a family-owned business, responsibility, and by extension risk, are borne by family members. Moreover, the activities of family-owned businesses are for the most part carried out under the aegis of the legal form known as sole proprietorship, which means that the company's liability is also backed up by privately held assets. Putting own´s assets at risk calls for entrepreneurship.

The salient features of a **family-owned business** are its management and ownership configurations – this despite the fact that there is no generally accepted definition of the term family in a business-management context. The most commonly used definitions are derived from a combination of the following specific circumstances or factors that may or may not come into play: a natural person as **founder**, an extended family **ownership** of the enterprise; majority of **decision-making rights** held directly or indirectly by family members; family

members hold **managerial positions**; in publicly held companies, family members have 25% of the **voting rights**.

Family business is often an expression of **passion** and family members in the enterprise share a sense of pride. Indeed, creating **legacy** is one of the motivational factors for stepping into the family business line. Members of a family-owned business tend to have a stronger **commitment**. They put in more effort and extra hours to safeguard the success of the family business. Family business managers are more likely to understand a need for flexibility in your working hours. The family can serve as a **natural team**. Saying „no" is more difficult within family ties. Business documents can be accessed more easily and often there is no need for lengthy negotiation or contracts. The family knows each other's strengths and weaknesses what can be useful to divide responsibilities. Working **across generations** allows to profit of different perspectives, experiences, and lifestyles. The family interaction will certainly also touch on the business, so that young generations are early on familiarized with and often integrated in the business needs. Handing-over to succeeding generations also enables to build generational **wealth**, for example by cumulating hidden reserves.

Especially in agrarian businesses and formost in wine production ownership and management positions are held by family members who are actively involved in the company's day to day operations. Family businesses tend to be handed down from generation to generation. A business having been family owned for **multiple generations** is a clear sign that the enterprise is run in accordance with the tenets of sustainability. In reference to the wine growing surveys, the vast majority of the wineries are family entrepreneurships in longstanding family tradition. In our surveys, 94% of the German winery population was family run and 75% existed for more than 50 years. A comparable survey for the US wine growing industry turned out with 10% of the population with such long history.

In a family-owned business, shouldering the responsibilities for business operations and the attendant strategy rejiggering can also be **burdensome**, however. When a business has been owned and operated for many years by multiple generations of the same family, a limited life span of an enterprise can become a source of emotional and psychological stress for inheritants. Early succession planning, as to who will take over the business when its current owner-operators retire or die, is recommended and increasingly professional practice as banks reflect succession plans in their rating.

> *„It was a sale that had all of St.-Emilion paying attention. Josephine Duffau-Lagarrosse and Prisca Courtin-Clarins, representing her family, have acquired* ***Château Beauséjour*** *Héritiers Duffau-Lagarrosse, a Premier Grand Cru Classé, after the deal was approved by SAFER, the French land management agency, for €75 million €. Duffau-Lagarrosse, a ninth-generation shareholder at Beauséjour, said her dream was that the château remain in her family. The Duffau-Lagarrosse family has owned the estate since 1847."* (Mustacich 2021)
>
> The final day of "The Perfect Dinner-festival – sustainability week" sponsored by vox.de was entrusted to vintner Timo Dienhardt of the German winery Weingut zur Römerkelter, for the simple reason that *"(...) this 39-year-old fellow is the very embodiment of sustainability. As a 10th generation vintner and second-generation organic vintner of his family-owned winery, an environmentally responsible and sus-*

> *tainable lifestyle gives him tremendous pleasure and is anything but burdensome. Sustainability has been a way of life for Timo since early childhood, because back in 1977 his father transitioned the family-owned winery to organic winegrowing. Plus, self sufficiency is very important to Timo's family, as is evidenced by the fact that the winery produces its own energy and water."* (vox.de)

Another salient feature of family-owned businesses is entrepreneurial drive when the next generation takes over. During these transitional processes, family-owned businesses often take the company in new directions, introduce innovations, seek to expand their customer base, and lay the groundwork for optimized sustainability. In the winegrowing industry, succession as takeovers by the next generation open up the opportunity for the newcomers to innovate, introduce new wines and business practices.

> Motivational factors in a German winery, Weingut **Heymann-Löwenstein**: https://www.youtube.com/watch?v=wALNJRbO6Fk



3.3.5 Female entrepreneurship

Gender equality is one of the 17 sustainability development goals – hence of paramount managerial importance especially in the context of sustainable entrepreneurship. The World Economic Forum reports on their website statistiscs of female entrepreneurship growth despite significant obstacles. In the US in 2021, 49% of new business start ups were founded by women, up from 28% in 2019. Women entrepreneurship is also growing around the world, and the World Bank estimates that 8 million and 10 million small and medium-sized enterprises across the developing world have at least one female owner, hence a highly relevant lever. There is strong evidence of successful female leadership, especially in regard to manage for sustainability. An exemplary found out that beyond the purely economic orientation, it is often important for female owners to make a social contribution with their activities. Responsibility for employees and an awareness of stability play a major role for female entrepreneurs. According to the study, companies owned by women **grow more slowly** - but they strive for stability and outperform in long term success with **lower insolvency rates**. However, women are still strongly underrepresented as owners. But obstacles remain and men still outnumber women 3-1 when it comes to business ownership.

Not only in family, craft, and agriculture women have been deprived in business succession. Especially the wine industry suffers longstanding discrimination. Until the 19th century, women in the wine industry were largely excluded from wine culture, enjoyment, and the profession due to tradition, religion, prejudice, superstition, and physical requirements. Since then, pioneers have set female accents in the professional field and, after a remarkable rise, women are shaping the wine world today.

A **symposium** in which exuberance and a supposedly inspiring exchange of ideas were promoted by wine in ancient Greece was reserved exclusively for the male world. As early as the Babylonian king Hammuarabi (from 1792 B.C.) had a wine ordinance carved in stone that allowed female wine merchants to sell wine only after an officially set price. Although alcoholism does not discriminate by gender, King Ramses II of Egypt established a league against drunkenness in 1250 B.C., in part to ban women's

early morning drinking. In in early Roman times, drinking wine was forbidden to the female sex under penalty of death. Even in the late Middle Ages, the Nuremberg Ordinance still barred wives from entering an innkeeper's wine cellar. Wine making in particular was reserved for men. Blandly, it was pointed out that women could not make high-quality wine due to their physical conditions. Accordingly, in many wineries, the succession to the business was reserved for male descendants.

The path to professional equality is due to the commitment of ambitious Women in Wine (WIW). They have broken boundaries with a pioneering spirit and, as a result of their actions, disempowered stereotypes. As early as 1806, **Barbe-Nicole Clicquot-Ponsardin** - known as Veuve (Widow) Clicquot - dynamically and impressively developed an ailing wine business into an international luxury supplier with innovative thinking, entrepreneurship and brand awareness, even in difficult times. She was the first woman ever to manage a champagne house and, among other things, independently built up and handled sales to the Russian tsar's court. Jeanne-Alexandrine **Pommery** also secured the international reputation of her domaine from 1858 onwards with sustained export activities and paved the way for the entire Champagne region. In the southern hemisphere, the most prominent premium winery in Australia was established under Mary **Penfold** from 1870 onward.

It should be noted that women in the wine industry have not only developed but have become established personalities and company leaders. For thirty years now, Corinne Mentzelopoulos has been impressively developing the world-famous Château Margaux. Like Baroness Philippine de Rothschild-Sereys, she had to fight stereotypes when she took over the company. With the death of her father, she became the majority owner of **Baron Philippe de Rothschild** S.A. and heiress to seven wineries including Château Mouton-Rothschild and Opus One. Also the likewise world-famous Château **Lafite Rothschild** is led with Saskia de Rothschild female. For the female leaders, being accepted was not an easy road. After taking over two hectares of her father's mixed farm in 2007, Dr. Eva **Vollmer** has done a lot of hard work to build up the business: establishing new processing structures, converting to organic quality, and also securing financial security by working nights at Frankfurt Airport. Today, the business is not only on a successful footing economically, Eva Vollmer is also a co-founder of the "Future Wines" movement, which was awarded the German Sustainability Design Award in 2023 - an exclamation mark for entrepreneurship and foresight. Even though winegrowers' cooperatives in Germany continue to be male dominated, there are pleasing exceptions. For example, after completing her MBA at the Wine Campus, Saskia Wörthwein has led the renowned Untertürkheim winegrowers' cooperative since 2021.

To explore a possible influence of **female leadership** in the wine industry, we analyzed a database with more than 2,000 German wineries from all growing regions and performance data for the period 2009 to 2022. The extent to which female management responsibility is pronounced was surveyed for all wine producers. Even though this is only an excerpt from the entire German wine landscape and no claim is made to representativeness, the analysis allows interesting insights with regard to women in the German wine industry: The analyses illustrate that the influence of female entrepreneurs, which is also presented in the historical outline, is not only reflected in marketing and labels. In the evaluation, female-dominated producers (Women in Wine WIW) can claim both a quality and price premium over male-dominated wineries (Men in Wine MIW).



Figure 32: Female entrepreneurship – gender impact (own research)

In the wine industry, women are setting increasingly the tone today, also successfully in economic terms. With an increasing number of well-educated female graduates, positions of responsibility are being filled, old role models are dissolving and upcoming business transfers to female successors are becoming a matter of course.

3.3.6 Sustainable entrepreneurship

Sustainability management is subject to the following three motivating factors: (1) external stakeholders (customers, advocacy groups); (2) legal enforcement (e.g., arising from EU regulations such as the European Green Deal that Member States are required to implement; or a German supreme court ruling mandating that the 1.5 degree Paris Climate Agreement limit is constitutionally binding, for the benefit of future generations); and (3) intrinsic motivation. Foremost the latter unleash entrepreneurial forces that can potentially lead to solutions heretofore thought to be unfeasible. This in turn constitutes the signature characteristic of **sustainable entrepreneurship** as a concept and practice that expands the scope of sustainability.

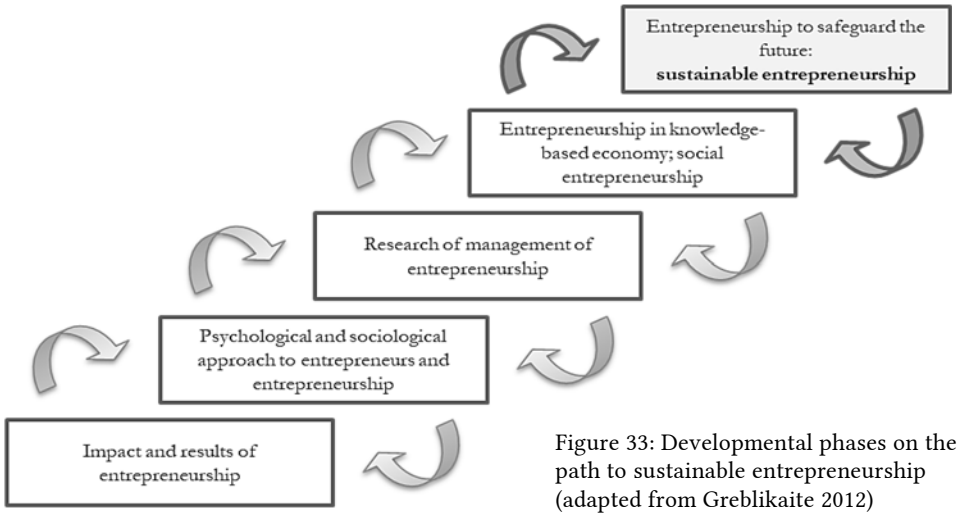


Figure 33: Developmental phases on the path to sustainable entrepreneurship (adapted from Greblikaite 2012)

The urge to raise the stakes calls for and promotes entrepreneurial solutions. In times of shortened idea, product, and enterprise life cycles, the path to success lies with entrepreneurial decision making, seizing opportunities, and targeted, expeditious implementation of visions and concepts. In turbulent times characterized by labyrinthine complexity and myriad impinging factors that need to be taken into account, **speed** is of the essence when it comes to success; and ample guidance in this regard is provided by the concepts underlying startups and successful company foundings. Entrepreneurial decision-making processes and management styles become levers, and an integral part, of successful sustainability management. The key to this success is the **willingness to effect change** and foster transparency. Enterprises can be said to embody sustainability insofar as they seek and implement new paths to raise the bar when it comes to the relevant economic, ecological and social factors. Thus entrepreneurs (owner-operators of their own company) and intrapreneurs (entrepreneurs who do not own or hold a stake in their business) should use their creative leeway to make sustainability (a) an integral part of all aspects of their organization; and (b) a motivating factor for business model innovation or repositioning. And if wiggle room is somewhat limited in such situations, sustainability can be implemented nonetheless, by doing everything from taking a close look at current processes to completely revamping them. When entrepreneurship is practiced in an exemplary fashion, it can potentially improve sustainability by serving as a **role model**. Courageous and innovative entrepreneurs who have the mettle necessary to overcome obstacles break new ground when it comes to improving sustainability and in so doing lay the groundwork for successfully meeting challenges head on. Visionary entrepreneurs can be greatly complemented by managers who are skilled at getting things done forming a synergistic duo with tremendous potential to improve sustainability. In such settings, implementation is every bit as significant as articulating groundbreaking solution. But implementation of this entrepreneurial mission needs to go hand in hand with networking, since no single enterprise can deal alone with the complexity involved here.

> *"I know it sounds crazy, but every time I have made a decision that is best for the planet, I have made money."*
> American environmentalist, philanthropist and outdoor industry businessman Yvon Chouinard (b. 1938) and founder of Patagonia, a company known for its commitment to environmentalism and sustainability

The omnipresence of digital devices in modern life notwithstanding, when it comes to implementing change and durably sustainable business management, there's no substitute for the wishes, desires dreams (and discontents) of flesh and blood human beings. It thus follows that efforts to implement and improve sustainability should be geared to these aspects of our inner (and outer) lives. Sustainable entrepreneurship should holistically and inherently encompass the entire spectrum of actors, including customers, employees, fellow human beings, competitors, people within a given network, and business owners.

> Interview with Michael **Otto** (b. 1943), chairman of the supervisory board of Germany's Otto Group, one of the world's largest mail order companies, from the German national weekly newspaper **Die Zeit** (Heuser & Widmann 2021):

"Michael Otto, green capitalist"

Die Zeit: Already way back in the 1970s, you were an advocate for environmental protection. How did that come about?

Mr. Otto: Back then, a number of fellow entrepreneurs questioned me about this, though in a completely friendly fashion. Why are you doing this? they asked. Do you really believe that doing this is going to accomplish anything? I could see exactly what they were thinking – basically, within themselves shaking their heads in disbelief and wondering why in the name of God I was doing such a stupid thing.

Die Zeit: Were you also the object of ridicule from employees of your own company?

Mr. Otto: A few of them were thrilled, though the majority adopted a wait and see attitude. I got complaints too. People would say, here we are working our asses off to improve the company's bottom line and overall performance, and now we've got to worry about the environment too!? And so I simply told them that this was a very important issue for me and that I expected them to follow my lead.

Die Zeit: What exactly did you do?

Mr. Otto: In each of our divisions we established an environmental management system that reported directly to me. Any suggestions we received from our employees, were responded to within a week. And if the proposed actions were feasible, we implemented them, so that everyone could see for themselves that the whole thing wasn't just window dressing, and that we were dead serious about this. It took 15 years for environmental protection to become an integral part of our corporate culture.

Die Zeit: How did this get started?

Mr. Otto: It began with individual measures. For example, I wanted our mail-order catalogue to switch to chlorine-free paper. But all the experts told us that this type of paper would tear during the high-speed printing process. And so we contacted some Greenpeace chemists, and worked with them to show that chlorine-free paper would work just fine. And then during the 1990s we gradually revamped our entire product portfolio to make it more eco-friendly – which meant ozone bleach instead of chlorine bleach, biodegradable textile dies instead of the ones containing heavy metals. This whole process was quite a slog, I can tell you that!

Die Zeit: In 1987, you made environmental protection an official goal of your company. How did you feel about people viewing you as a kook with a bee in his bonnet?

Mr. Otto: Well, I realized that I needed to show that I was, despite these negative attitudes toward my environmentalism, a highly successful entrepreneur. If the company had gone downhill, people would have said, well, all he cared about was the environment and so he neglected his company. But thank goodness our company thrived in the aftermath of all this.

Die Zeit: Have you ever missed an opportunity to improve your bottom line for environmental reasons?

Mr. Otto: Well needless to say, win-win situations were very welcome in this regard. So, if, for example, you switch from shipping goods via air cargo to sea cargo, you're reducing your carbon footprint – plus it's cheaper. But in other areas, first we had to make capital investments.

Ideally, sustainable entrepreneurship should make sustainability the central pillar of every aspect of a company's existence. A company upgrading its sustainability in this fashion can potentially (1) translate into an expanded customer base, given the growing consumer awareness of and desire for sustainability; (2) cut costs thanks to reduced resource use, eschewing the use of certain resources, and recycling materials whose use may be essential; (3) greatly enlarge the scope of risk management, by reducing the risk of allegations of green washing and fostering the use of sustainable products for integration into the company's own products; and (4) enhance entrepreneurial self-esteem, which is a key success measure for entrepreneurism – and thus a motivating factor.

Sustainable entrepreneurship requires making a personal commitment to a business – which, in conjunction with a robust strategic orientation – can translate into a competitive advantage. Entrepreneurs need to assess their own entrepreneurial potential, and determine the areas in which their entrepreneurial competence can be enhanced by partners or a team that is dedicated to upgrading this competence:

[1] Do I react to changes proactively? Do I regard changes as opportunities for my company?

[2] Do I have a genuinely positive attitude toward risk? Or do I find it difficult to deal with business risk?

[3] Do I find it easy to develop viable visions for the future of my company, through creativity and a willingness to innovate?

[4] Which of the following entrepreneurial roles do I take on, and how much of my time do I devote to each of these roles? (1) interpersonal roles, in my capacity as a role-model; (2) informational roles, around which my communication is centered; (3) decision making roles, in my capacity as leader. Where might there be untapped potential for delegating responsibility?

[5] When I make entrepreneurial decisions, are they primarily goal oriented, or do I instead rely on ad hoc events to implement new ideas and goals, using the resources available to me?

[6] How important to me are (1) taking actions to ensure the future prosperity and welfare of my company; and (2) protecting the environment for the benefit of future generations? Do I factor considerations of sustainability into my decision-making processes and my daily activities?

4 Strategy: anchoring entrepreneurial decision making

The vast literature on strategy can be summarized in that a strategy (a) **identifies potential areas to increase company´s earnings** and (b) provides a **roadmap to exploiting them** to improve a company's bottom line and capitalizing on the value thus created. Thus, operational planning based on a strategy implements measures aimed at ensuring that the process of capitalization will yield the desired outcomes. Accordingly, the timeframe and scope of any given decision will determine whether the decision is strategic (i.e., intrinsically essential; extended time horizon) or operational (short-term decision aimed at implementation as soon as possible). In the field of business management, strategic action is associated with an **improved level of success**, as opposed to reflexive, ad-hoc decision making. Strategies aim to bring about a specific outcome and set out the essential **milestones** that will enable achievement of this outcome. The most important commercial issues that any business faces – namely **which markets** should the company enter, and **how to compete** – should take the form of deliberately opting for a given **sector** and thorough **profiling** of it. Strategic action aims at gaining competitive advantages in order to ensure a company's success over the long term.

Today's strategic management theory and practice tends to emphasize the importance of **sustainability** and **entrepreneurism** to be core of strategic plans. Small businesses should prioritize formulating their long-term targets and plans, given that their thinking, concerns and processes tend to be driven by practices and policies that have been in place for some time and that have evolved organically, often not explicitly expressed or developed. In order to take a business in a new direction or be motivated to seize potential opportunities, a business's decision makers need to reflect deeply on, deal robustly with, call into question, validate and flesh out their organization and the market in which it operates. In other words, what makes strategic action potentially worthwhile, and rewarding is not any kind of documentation or writing process, but rather deliberate immersion in a thinking process, along with analyzing current or planned measures and the assumptions underlying them, and the goals that have been or may potentially be reached. Ideally, sustainability should increasingly permeate all facets of both strategic management and strategic sustainability management – for this is the key to creating a sustainable society.

4.1 Anatomy of a strategy

The word "strategy" comes from the Greek word for office of a general, generalship, piece of strategy; Originally the term referred to military command. A strategy commonly is "a careful plan or method or a clever stratagem" or "the art of devising or employing plans or stratagems toward a goal" – the latter especially in the fields of politics and business. Hence in a commercial context, strategizing means future-oriented planning.

A company's strategy should constitute the **framework** that subsumes the entirety of its activities and decisions, the goal being to pave the way for the company's long term, sustainable success. In a business management context, strategies determine which value creation potential will be realized, the extent to which, and the timeframe

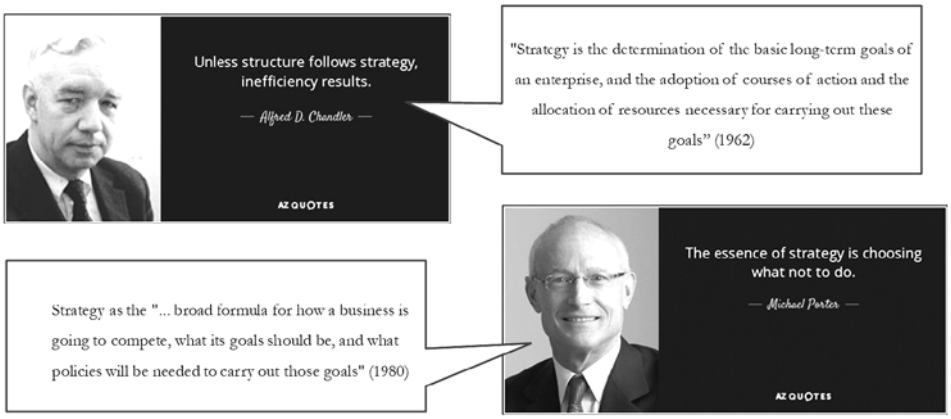


Figure 34: Statements about strategy (azquotes.com)

A company's strategy should constitute the **framework** that subsumes the entirety of its activities and decisions, the goal being to pave the way for the company's long term, sustainable success. In a business management context, strategies determine which value creation potential will be realized, the extent to which, and the timeframe in which that value will be generated. The corporate strategy answers the question in which area of activity the company wants to generate value. Thereon based business strategies determine how the company intends to compete in the markets. Functional strategies orchestrate the operational levers to align for the defined framworks. Simplistic though these domains and key questions may sound, it does in fact make a difference whether a business intends to market photocopiers or focus on the field of document management - Xerox communicates the latter as their strategic ambition. If a company launches itself into the document management market, then photocopiers can constitute a partial solution for the company's customers but it's essential to also consider how a paper-free office would come into the picture and how the customer would be managing documents that exist in digital form only. Document management businesses need to devise digitization solutions and implement them in non-traditional office settings such as the many such entities found in Silicon Valley. It matters whether a railway sees itself as a provider of rail transport only, or as a provider of mobility in general (e.g., Deutsche Bahn). For a rail transport provider, the

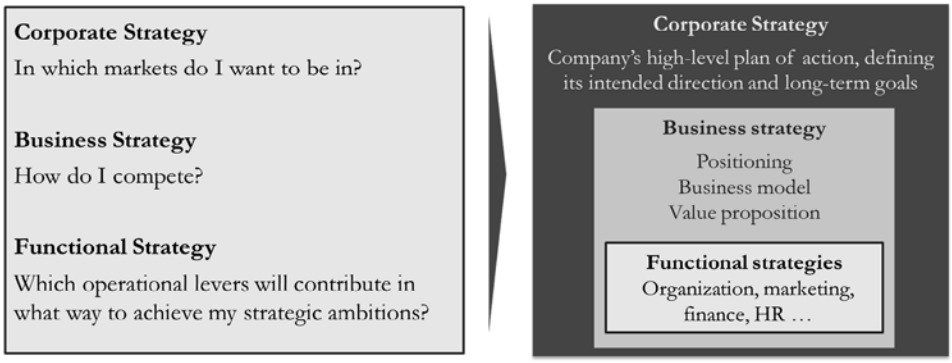


Figure 35: Domains of strategic decision making and core questions

design of its infrastructure, the timing, scheduling, use and upkeep of the means of conveyance are all key considerations, whereas a mobility service provider's main task is to configure interfaces with transport conveyances, including newer ones such as car sharing services. Mobility services providers need to establish and maintain cooperative relationships with other transportation providers (e.g., car sharing; bike rentals; trolley services ...) to synchronize for seamless traveling.

Strategies are embodied by four integrated components:

- **Mission statement**: What is the company's raison d'être? How does the company see itself from an entrepreneurial standpoint? Which factors and motivations are the most powerful levers for the entrepreneurs and the company itself?
- **Strategic objectives** build upon the mission and define the level of ambition. What objectives are to be reached and what roadmaps serve to reach them?
- **Sustainable business models** provide a framework for the fulfillment of strategic objectives: Which products and services should be offered to which customer segments, and how should they be delivered?
- **Strategic measures**, which concern portfolios and fields of action, address the following concerns: How, and based on which activities, will we be able to implement our strategic road map?

These components show that strategies are essentially **value-driven** – which in turn allows strategic policies and components to be used for purposes of coordination. Strategies lay the groundwork for lasting success; and incorporating practices and policies aimed at achieving and improving sustainability are bound to become an ever-growing part of every business's strategy. In the literature on sustainability, its current importance is seen as the heretofore **missing link of strategizing** (see Fig. 36 below).

Bonn and Fisher (2011) declare sustainability to be the missing ingredient in strategy: "Managers need to rethink their current business model and analyze whether their corporate portfolio achieves a balance between the organization's economic, environmentaland social goals. Based on this analysis, managers might face a number of questions, such as:

1. Should we initiate changes to improve the sustainability of existing businesses or should we divest unsustainable businesses?

2. Should we add new sustainable businesses to our portfolio and, if so, should we develop these businesses or acquire them?

3. Should we establish strategic alliances to jointly build innovative businesses that focus on sustainable product and service development?"

4.2 Strategic management: fundamental for governance

In large corporations, it is senior executives who take charge of strategic management and strategy development. In order to define strategy and implement strategic management with a view to providing an organization consisting of numerous units, departments and employees with productive orientation, the in-house resources allocated to the task of strategy development such as a **strategy department** can be used, in addition to (as is standard practice nowadays) **external consultants**. Such consultants provide strategic methods, gained experience from their previous customer engagements – and above all, an objective, outside view of things.

In small businesses it falls to **the entrepreneur to determine** the policies that govern the company's strategies, and by extension, to assume responsibility for seeing to it that these policies are implemented. Although many small businesses claim that strategic planning is highly relevant to their operations, more often than not these claims are given short shrift when it comes to translating them into concrete measures. This gap of perceived relevance of a strategy but its realization is mainly attributable to deficient resources or capabilities when it comes to the nuts and bolts of strategic planning. Given the growing difficulty and complexity of the challenges facing today's micro-entities, and the entrepreneurs being well versed in product or service provisioning as well as accustomed to adopting a hands-on, or even craftsmanlike, approach to running a business, explicit strategic planning can represent an underdeveloped competence. In addition, strategic management tools have primarily been developed and adopted in large companies, though increasingly adapted to suit small businesses´ requirements. The sine qua non of ensuring that a business is going in the right direction and making the right choices is to actually create a strategic basis. Entrepreneurs need to step out of operational day-to-day business and spare time for strategy development. It can be very useful to conduct an annual strategy review. Other good reasons to rejigger a company's strategies include far reaching changes in the company's business environment brought on by events such as Covid-19, or in its in-house ecosystem, such as when a new generation of managers takes over the running of a business. Running a business in the absence of well thought through strategies is like trying to reach a destination while driving a car blindfolded.

> At the family owned German winery **Weingut Dr. Wehrheim**, the company's owners take their time for a strategy retreat once a year, in order to take stock of the winery's strategic orientation. These retreats entail advance preparation. Sometimes third parties are invited to attend to provide the winery's managers with a useful reality check. In addition, the winery owners also take trips abroad with colleagues from purveyors of fine wines, during which they attend wine tastings and take tours of other wineries – all this with a view to optimizing and deepening their own strategic approaches.

4.3 Stakeholder management

A strategy is not limited to creating direction for oneself or to address and inform shareholders, it provides information and orientation for business´ employees, as well as suppliers and other external parties. Addressees can consist of different commu-

nites with diverging interest in the company – they are a business´s **stakeholders**. The nature and extent of such actors' or groups` expectations or exigencies vis-à-vis a business may vary from a direct (e.g., suppliers) to an indirect (e.g., environmental protection organizations) interest. Workers, for example, not only expect to be paid on time, but also hope that their company provides fair working conditions and recognizes their contributions to the organization. Trade partners expect goods that meet the mandated contractual requirements to be delivered on time. Government agencies require that businesses provide the requisite documentation and pay their taxes on time. Banks expect to be paid for the services they provide, and to be kept informed as to how their business clients are faring. If a company pollutes groundwater, this has an impact on local residents and on the environment. Sustainability serves as strategic lever to factor the concerns and expectations of all the various complementary actors that come into play into strategies.

In the fields of economics and business management a distinction is made between stakeholders and shareholders. **Shareholders**, as the term implies, own shares in a company and are entitled to be paid interest on the capital they've invested, e.g., to receive dividends. **Stakeholders**, on the other hand, are individuals or organizations have a vested interest in an entity such as a business or industry.

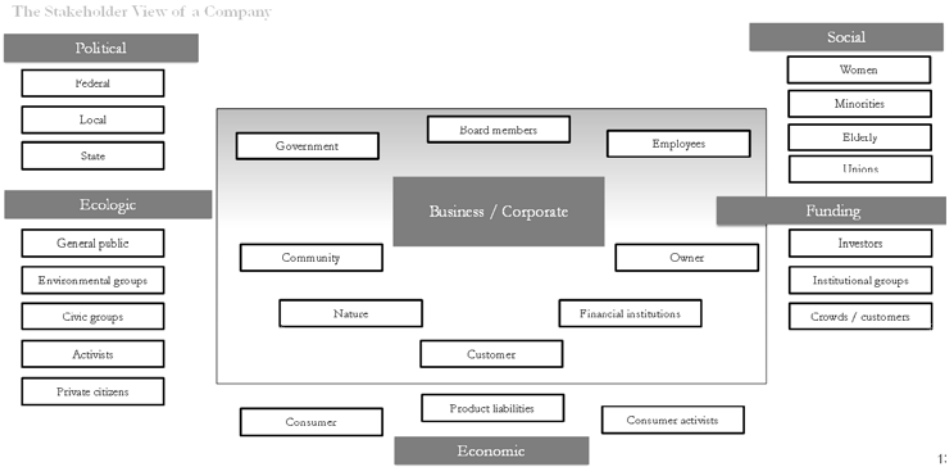


Figure 36: Stakeholder management (adapted from Carroll et al. 2018)

Shareholder-centrism, exemplified in businesses` interest to maximize shareholder return, has predominated for many years company´s strategies, especially in the US. The to all intents and purposes predominant emphasis on protecting the interests and doing the bidding (whether implicit or explicit) of a company's shareholders is being expanded to encompass a stakeholder- and complementary actor-centered approach, which factors in social and ecological concerns. This trend points to a growing awareness on the part of business leaders that their companies (a) need to proactively promote environmental protection and (b) awareness of social issues, rather than being exclusively focused on turning a profit for the benefit of their shareholders. This shift

reflects growing awareness of companies that they rely for their very existence on the myriad types of support provided by the operating environment. Stakeholder and complementary actor management is fast becoming a core element of the whole gamut of companies' strategic activities.

Stakeholders increasingly exert pressure on companies to comply with their claimed but often not delivered sustainability, for example, calling for a boycott, or by pressing legislators to adopt laws that will compel the company in question to mend its ways. Damage to a company's reputation from green washing, the failure to implement announced sustainability measures, and disregarding the interests and concerns of purportedly irrelevant stakeholders and complementary actors should be avoided, by implementing proactive management and durable strategic sustainability. Companies are well adviced to proactively cogitate and manage stakeholders´ (potential) expectations.

> An on-topic article reports on Japan's turmoil in shareholders meetings "Japan's series of annual shareholders meetings is underway, including those of Toyota and Mitsubishi UFJ Financial Group. Activist investors are pressuring for change in top management while others are focusing on boardroom diversity, especially when it comes to women. Investors also want to see companies do more to address carbon emissions." (Nikkei 2023)
>
> The investigative and communication work of the German branch of **Foodwatch**, which describes itself as an independent, non-profit organization that exposes food-industry practices that are not in the interests of consumers, illustrates how advocacy groups try to effect changes in public policy. *"Mold that's visible with the naked eye in a factory that makes malt for world-renowned Bavarian beer: a staggering hygiene scandal. But the real scandal here isn't so much the mold itself, but the fact that the authorities failed to disclose this catastrophic situation. The government of the state of Bavaria needs to accept responsibility for this egregious dereliction of fiduciary duty and make sure that transparency is the watchword, the next time something like this happens."* (foodwatch press release 2021)

The strategic planning should broadly define potential stakeholders and extensively consider social and environmental aspects and analyse eventual implications of owns´ business activities. For doing these casts the company's activities in a more favorable light and paves the way for a genuine, lasting commitment to sustainability. If, on account of their statutory and contractual rights, shareholders and the influence they exert on a company's operations, must be taken into account in formulating corporate strategies, the actions of stakeholders and advocacy groups can be difficult to control. **Legitimacy** of their claims and the extent of their political and media **clout** can enhance according to communication strategies. Approaches to stakeholder and advocacy group management vary by companies and industries. Sporting goods manufacturers today risk boycotts of their products in the event it emerges that they use child labor in their factories. The same holds true for garment manufacturers, as actually occurred as the result of a fire in a Bangladesh clothing factory that was egregiously unsafe and that resulted in the death of a number of workers. Oil companies can potentially be held responsible for the environment damage caused by drilling for oil (as occurred in the BP Deepwater Horizon oil spill). Oil leaking is increasingly identified by satellite pictures in order to sanctionize unethical and costly behaviour. Actions taken by environmental organizations (e.g., a boycott campaign against Shell for having sunk their oil storage and tanker loading buoy Brent Spar, or Brent E,) have im-

pelled companies to institute risk avoidance measures and to increasingly consider and avoid external costs.

> "Failure of the economy in terms of resource consumption and environmental impact is evident. It is not only the responsibility of the consumer. Only if producers do not simply externalize the "ecological costs" they cause but are prepared as a responsible entrepreneur to bear them (if reduction is impossible), one acts sustainably." Jochen Schmitt from German winery **Egon Schmitt**.

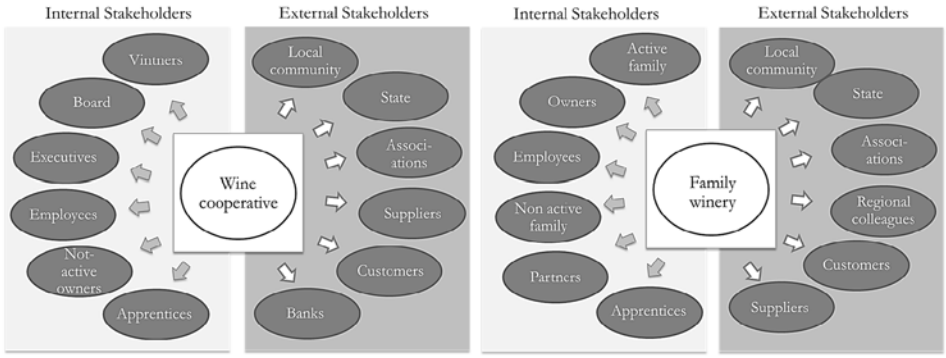


Figure 37: Stakeholder maps of two wineries differing in ownership (research results)

The ever-increasing role external stakeholders excert on businesses shows just how important strategy is for small businesses and entrepreneurs when it comes to avoiding conflicts of interests. Given that small businesses tend to have close ties to their local communities, it stands to reason that there will be at least a modicum of public interest in the activities of such companies in such communities. In order for a company to achieve viable and effective stakeholder management, it needs (a) managers with management skills who understand why stakeholders are important and are willing and able to interact with their representatives; and (b) to devise strategies that are resolutely sustainability oriented and that are conveyed persuasively and plausibly, as this will manifest that the strategy values the needs and expectations of the stakeholders in question.

> "*As a family-owned food product manufacturer with far-flung production facilities and marketing offices, we're acutely aware of our tremendous responsibility to human beings and the environment. By instituting the* ***Dr. Oetker*** *Sustainability Charter, we're hoping to accomplish the following: encourage users of our products to reflect on their lifestyles; implement fair and sustainable conditions across our entire supply chain; and at the same time, reduce our carbon footprint to the greatest possible extent. Our customers determined the target setting. The results of a survey that we conducted of our in-house stakeholders and users of our products were major considerations along with our own views in formulating our objectives. Our policies and activities are consumer centric. It made perfect sense for us to find out what our consumers are thinking, and what they'd like us to be doing. Hence, it's fair to say that our Sustainability Charter also reflects the direction in which today's society is moving and that is necessarily making issues such as global warming, animal welfare and biodiversity central concerns for our company. Our policies and activities are also increasingly taking into account the growing health awareness on the part of consumers, for whom eating*

> *well is becoming ever more important. The sustainability goals set forth in our Sustainability Charter actively address these concerns."* (Press release from Dr. Oetker)

Whereas large corporations depend on their PR (public relations department), micro-entity entrepreneurs have the option to interact with, and make their case to, the relevant stakeholders in person and on a more human level.

> The German winery **J.J. Berizzi** acquired the winery **Nicole Graeber** (which has been a thriving business for more than four generations) and is now entering a new and exciting phase of its business development. *"Are we completely crazy to be acquiring a winery that's been a well established brand for quite some time? Could be. But then why are we taking this step? Why not stop by our winery, so that we can tell you what we're up to over a lovely glass of wine."*

4.4 Strategic decisions

Preparing a business for the future requires that strategic and operational matters are addressed and synchronized, the two characterized by time frame and scope.

Strategic decisions aim to meet long-term needs and concerns, and normally define and determine the direction a company is going in, via the following:

- Analysis of the company's current status.
- Trends and derivation of scenarios for the future.
- Devising strategies that focus on overarching goals.
- Incorporating strategic policies into a sustainable business model.

Operational decisions for immediate action assuring the implementation of the strategic policies, via the following:

- Functional strategies whose purpose is to implement the company's strategic framework.
- Realization of measures to increase sustainability.

A winery switching from conventional to organic winemaking has far-reaching effects on every aspect of the organization and is thus strategic in nature. Deciding to cultivate a new variety of grapes is likewise a matter of strategy, given that this measure will ramify across a 30-year period, and will have a profound effect on the winery's product line and on its overall market profile. But if, on the other hand, a winery decides to lease a transporter panel van, with a view to freeing up liquidity for other capital investments, then this is an operational decision.

However, it should be noted that in order for a company to reach both strategic and operational decisions smoothly, it is essential that they be based on a strategy that provides decision makers with the relevant policies and guidelines. Policies and strategies that promote adaptation and foresight ensure all concerned that the company in question will achieve success going forward. To this end, it is necessary to be able to effect change at the right juncture and use (and anticipate) changes in market conditions and other relevant factors in a timely fashion, and to regard such changes as an opportunity to lay the groundwork for an economically secure future. Thus, in this sense**, strategy can be regarded as a bridge to the future**. But to build such

bridges, a company needs to analyze its current situation and perspectives from various angles. In so doing strategizing factors in market and other relevant projections, to capitalize on any potential that may present itself in the relevant markets and in its business environment, and thus be well prepared to make the necessary changes.

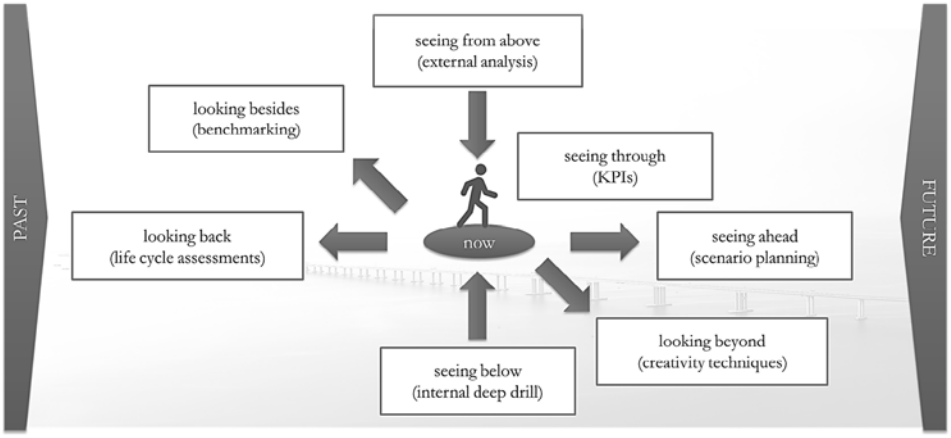


Figure 38: Varieties of strategic perspectives (adapted from Mintzberg)

Sustainability is a long-term endeavor. This in turn means that decisions are shaped by **forecasts**. Forecasts are predictions. Forecasts can be based on either quantitative or qualitative models aimed at envisioning effects of trends and developments. Micro-entrepreneurs do not need to magically transform themselves into master futurologists. They have at their disposal a wealth of data on trends, future scenarios and other developments but need to create eventual future scenarios, and review the robustness and suitability of available data, trend developments, and overall relevance for their own strategic concerns.

4.4.1 Quantitative decision support

Normally, forecasts are made by **extrapolating** from old empirical data – whereby extrapolation in this context means attempting to ferret out connections among data elements and using these connections to identify possible development in the future. For statistical extrapolations, mathematical functions are calculated as time series, by factoring in eventual seasonality, outliers and other detectable impinging factors. Such an extrapolation could involve, for example, a sales analysis for the past five years to receive an eventual basis for next years planning.

Supposition-based forecasts, on the other hand, allow decision makers to re-examine past and current decisions. A **break-even analysis**, for example, involves calculating the time it takes to recoup an investment by comparing the investment with planned income and expenses. Supposition-based forecasts are primarily used to formulate financial strategies and for financial controlling and involve the development of key performance indicators for purposes of managing long-term planning. Costs, investment amortization, liquidity, the airtightness of capital structures, and sales and revenue figures are monitored via comparisons of target versus actual statuses, so as to enable decision makers to take action in the event any deviation from planned milestones.

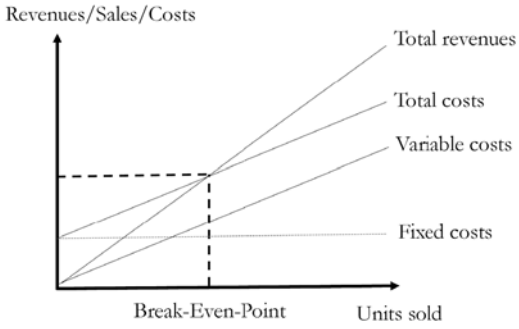


Figure 39: Quantative decision making: example break-even analysis

> Extrapolation serves to prognose and adjust for example the supplier portfolio and supply, as **Majestic**, a major UK wine retailer illustrates when announcing sales of their organic wines climbing 22% in five months compared to the same period a year ago: "*Majestic predicts that sales of its organic wines will double across the next three years. We have expanded our core organic range from 50 to 67 offerings to meet growing demand. Attitudes are clearly changing as consumers make more planet-friendly purchases. We've already seen a huge uplift in organic sales, and that's a trend we believe will continue in the years to come. Our mission at Majestic is to help our customers discover and buy wines they will love, and so we need to invest in the right products at the right time to deliver on that pledge.*" (Feilden 2023b)

4.4.2 Qualitative decision support: scenario development

Qualitative forecasts are **long term scenario plannings** that factor in **networked trends**. Qualitative forecasts aim to **envision** what the future will (or might) be like. Scenario planning methodology fosters **creative thinking** about possible future trends, by trying to determine the shape of events far into the future, without regard for the specifics of the sector that the business engaging in such planning happens to be active in. The key findings of these thought experiments are then translated into future scenarios, which are then used to determine their implications for the company's own sector in the coming years, and for its current policies and strategies.

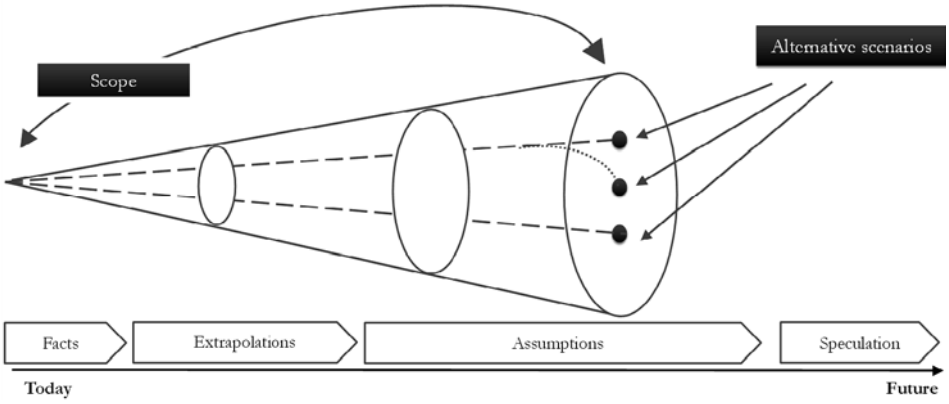


Figure 40: Scenario planning technique (adapted from Fraunhofer 2015)

Long term forecasts mainly involve predicting how the changes in contemporary society and the business environment will bring out new demands, new technologies, but also destructive forces – hence the planning should come up with stretch scenarios or "**future worlds**". Transformational trends, often called **megatrends**, are for example climate change, globalization and digitization, which have an unceasing and palpable effect on the entire business world, including the winegrowing sector. Because all enterprises interact continually with their business environment, entrepreneurs need to incorporate business forecasts into their strategizing, so as to be able to react effectively and in a timely manner to changes that are relevant to the entrepreneur's business model. Megatrends have been the subject of numerous studies that focus on relatively new trends and the manner in which they intermesh with each other. In order for an entrepreneur to analyze their company's business environment, they need to (a) pare down the available information to a manageable scope; and (b) consider the extent to which the environment could potentially alter the conditions under which the company does business. Trend forecasts are readily available from outside sources such as management consultants. The strategic aim of such an analysis is to assess the relevance of these trends for the company and its business model, and to identify the opportunities that these trends open up.

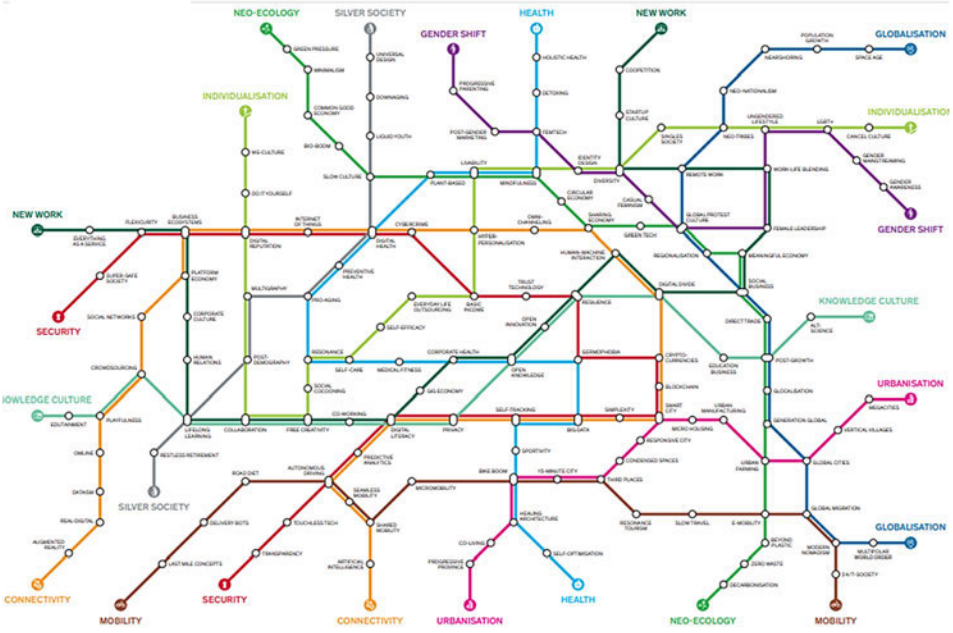


Figure 41: Trendmap of megatrends (Zukunftsinstitut 2023)

The ever-changing business environment also impacts the wine sector, as is evidenced by considering a selection of megatrends: saturated markets suffer from a trend for ***healthier lifestyles*** with reduced alcohol consumption but opening opportunities for innovation such als low-alcohol or alcohol-free wines. ***Urbanization*** results in smaller households, less storage space, where wine is purchased on an as-needed basis, but wine-fridges are in demand. ***Neo-ecology*** evolves in a more responsible buying behaviour with often reduced consumption – hence potentially diminishing demand.

Individuality, in the sense of a desire for one's lifestyle to be distinctive, paves the ground for individualized products and offerings. ***Advanced technology*** for example opens new ways to win customers providing transparency by augmented reality, i.e., for example tracing of all value-creation steps and integrated suppliers. In recent decades, process streamlining, and quality optimization have reduced manufacturers' production costs, the resulting savings having been plowed into sales and marketing activities. ***E-commerce***, the impact of new media, new channels, and connectivity have brought about far-reaching change in the social fabric, as well as in communication and organizational cultures.

In strategic planning the relevant trends need to be prioritized, intersections of trends need to be identified, all information to be translated into scenarios viaa combination of **interconnected, systemic and strategic thinking** that embraces the future, whatever it may hold.

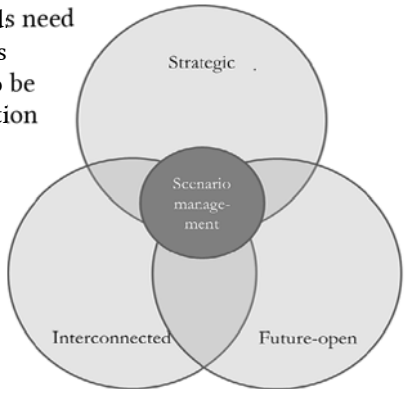


Figure 42: Scenario management (adapted from Fink et al 2016)

Creativity is of the essence when it comes to devising possible future scenarios. Deliberately formulating over the top future scenarios and playing **devil's advocate** (e.g., by adopting controversial views) can potentially bring to light issues and opportunities that are anything but self evident.

> German college students creatively envisioned the future of the wine world: *Vertical farming* has become the norm for vineyards, allowing for grape cultivation in technologically advanced greenhouses necessitated by the depredations of global warming. Such greenhouses also allow for *artificially controlled generation of microclimates*. The *parcelled up soil compositions* of known terroir locations are being replicated using data acquisition and data processing techniques. When it comes to vineyard operations, technologization that optimizes productivity is a key factor. Vines can be equipped with *sensors* that allow the plants to be automatically dosed with individualized nutrients. Grapes are harvested selectively, according to how ripe they are – a determination made via *optical quality assessment* by *minirobots* that communicate with the automated crushing (and related must production) process so as to avoid bottlenecks. *Drones* allow for targeted pest control. New and innovative products meet consumers' every need, no matter how unusual. The actual winemaking process is based on *individual customers' taste preferences*. During the product adaptation process, *body measurements* carried out by special clothing (*wearables*) containing sensors take customers' intolerances and physical well-being into account. A consumer tastes the wine, and in so doing is given complete information concerning the wine's chemical composition and taste profile. This consumer's *community* of followers is then told, digitally, whether the blend in question is acceptable, and if it is, ordering this blend is then green-lit. Marketing

is carried out via *virtual worlds*, which allow for joint wine tasting despite the physical distance between participants. Which means that the vintner, the vintner's wines and the vineyard surface of the wine being tasted can be experienced via special *virtual-reality glasses*. The wine is bottled in *innovative sustainable packaging* and is *delivered instantaneously* to the customer by drones.

Once elaborated, future scenarios are given likelihood-of-occurrence ratings, and as time goes on, this likelihood is monitored. Certain elements of these scenarios might realize earlier than forecasted (such as virtual wine tasting, which not long-ago experts regarded as an unrealistic scenario, has become a widespread catalyzing phenomenon because of Covid), others will not become reality. Entrepreneurs should be sure to analyze their future scenario in accordance with the predicted likelihood of its actually coming to pass and its relevance for the entrepreneur's business – and should use this analysis as a basis for strategizing. Adopting this procedure will help entrepreneurs keep a watchful eye on the big picture and recognize risks and opportunities as they arise. As time goes by, entrepreneurs should assess whether the projected scenarios have actually been realized, or whether other scenarios might be more plausible – and should adapt their company's strategic measures accordingly.

Video link „Wein 2050 – Ab in die Zukunft":
https://www.youtube.com/watch?v=Dc3N4n1afMo



If predictive models allow enable decision makers to reach decisions in the context of a future that is amenable to being shaped and planned, businesses nonetheless need to be prepared to face unforeseeable and disruptive changes in the business environment and their oftentimes destructive effects. Another factor that it's important to bear in mind is that Newton's third law – every action has an opposite and equal reaction – does not necessarily hold true in systems dominated by sociodynamics. In other words, it's unreasonable to expect every implemented measure to have the desired outcome.

If you want your business to robustly take possible future events into account and be rigorously goal oriented, it's vital that your entrepreneurial decision making be based on a suitable strategy. To this end, you might want to consider making a habit of reflecting on the following:

[1] Has your company devised a long-term strategic framework?

[2] Does your strategizing process include one or more steps involving you rethinking all relevant factors, including experiential data, developments, trends, the activities of your competitors, and so on?

[3] Do you convey your entrepreneurial strategies to your team? Are suggestions for improvement and other employee feedback factored into the process of optimizing your entrepreneurial strategies?

[4] Do your strategies give due consideration to the needs and preferences of your customers, partners and other complementary actors, including when it comes to formulating future scenarios and other measures aimed at ensuring that your company is keeping the future firmly in mind?

[5] Do your strategic and operational decisions take this orientational framework into consideration?

[6] Do you, at regular intervals, adapt your strategies to changing circumstances? Have you devised a policy or plan of action to deal with disruptive factors or events?

5 Strategic planning and analysis

Strategic business management builds upon a strategic planning for the future that is based on analyzing the company, business environment, the markets, competitors and customers. Future-oriented planning starts with a clear picture of the company situation ("As-is") and analyses of events and factors that may be of significance at some point down the line ("Change"). To this end, your company's strengths should be leveraged so as to capitalize on opportunities that arise and frame the positioning your company in your sector to be attractive for customers and partners ("To-be"). In doing so, companies profit of opening revenue streams, exploit opportunities, win customers, safeguard resilience, and lay the foundation for sustainable profits.



Figure 43: Anatomy of strategic action

A truly winning strategy defines an ambitious but catchy "To-be" future state of the company and its avowed goals. A thorough and reliable analysis of its current situation in light of the company´s external and internal environment are key elements and the basis for a buy-in into a strategy as a roadmap to reach the wished future positioning. To this end, strategic analysis that constitutes the mainspring of planning should take a close look at the company's status vis-à-vis the entrepreneurial world in which it is embedded. For business environment analyses, a distinction is made between a company's **extra-organizational** and **intra-organizational environment**. The external factors of a company's business environment (external or macro-environment) tend to be extremely varied and complex, encompassing as they do sociocultural and political factors, as well as the relevant rules and regulations – plus ecological, economic and technological factors. A company's microenvironment, on the other hand, encompasses its situation vis-à-vis its competitors in the relevant markets, which in turn encompass factors that impinge on every aspect of the microenvironment. The outcome of strategy related analyses should ideally be a determination of the company's positioning and a well founded big picture that allows the opportunities and risks entailed by the company's external business environment to be integrated into a convincing action plan that also factors in the company's strengths and weaknesses in light of market competition. Elaboration of entrepreneurial best-case future scenarios that are based on known or knowable changes in the business environment is a key stepping-stone to devising entrepreneurial strategies that define strategic goals and the measures necessary in order to reach those goals.

5.1 When's a good time to strategize?

For all their focus on the future, hammering out strategies and strategic action plans nonetheless requires **constant entrepreneurial attention**. Hence the needs arising from a company's current situation, or the phase it happens to have reached in its **lifecycle**, may well be a major determinant of the opportune moment to conduct an analysis of the company's strategies and related policies. Business **startups** tend to base all of their activities, and the process of determining the rightness of their business model, on strategic planning – an activity vital to continue once the startup phase has come to an end. The exact timing of a **strategy rethink** hinges on a host of factors, circumstances and possible scenarios, whereby a company may decide to **revamp** its strategies with a view to instilling in its workers greater enthusiasm for their daily tasks or be motivated by expanding its customer base. If a company´s future is jeopardized and the enterprise is in need of a major **turnaround**, a new strategy is indispensable.

Corporates normally revise their strategic plans on an **annual basis** – although if unusual or anomalous circumstances warrant, new strategies may be forthcoming deviating from the strategic planning cycle. A **new CEO** taking the reins of a company unsually result in shifts in emphasis – which the company's owners or shareholders may also expect. In cases where a company is facing a **severe crisis** that could potentially threaten its existence, third party actors may have to be called in to affect a bail out.

Small businesses, and especially family-owned ones, oftentimes find refrain from strategic planning even being in operation for many years. In lack of an established strategy and strategic planning cycle as well as data motivation to start a strategic planning process is low. The impetus to undertake strategic planning often stems from **unusual circumstances** such as the falling away of a company's customary marketing channels or the closing of sales outlets (both of which were common occurrences during the Covid pandemic). Or an entrepreneurial urge occasioned by circumstances such as meeting **new customer needs** (e.g., alcohol-free wine) motivates to design a strategic plan. But most frequently the **taking over** a business by a new generation of entrepreneurs is a milestone in the company's existence that triggers a rethink of its strategic positioning.

Trigger	Examples
New leadership	The German winery **Weingut am Nil** called the inauguration of the new CEO a "… developmental step; whereby a sharper focus on private customers promises to be the springboard for a new strategic orientation." (Gourmetwelten 2020)
Change of ownership	"Frederik Freiherr zu Knyphausen (Draiser Hof) welcomes this challenge. (…) **Grapevault Wine Investment**, which held a 50 percent stake, and the VDP winery **Draiser Hof**, are going their separate ways owing to 'differing strategic objectives'. The company regaining its independence will come at a price, however. The winery's vineyards now comprise only 10 as opposed to the previous 25 hectares of vineyard surface. The [former] partner received the vineyards by way of compensation for his investment." (Minges 2016)

Third party intervention	"The venerable [German] winery **Schloss Schönborn** is closing its doors. Paul Graf von Schönborn has decided to henceforth confine his winemaking activities to his Wiesentheid winery. (...) Schloss Schönborn winery was under investigation for violations of various winegrowing regulations, which resulted in its having been stripped of more than 20 formerly officially approved wines in the market." (weinplus 28 January 2021)
Financial results	"The family-owned German winery **Langwerth von Simmern** announced that it was selling the wine estate and wine business owing to the fact that nowadays it is no longer financially feasible to maintain a historical landmark site like Langwerther Hof (and its extensive landscaped grounds) with the income from winegrowing and farming." (Meininger 2018)
New generation taking over a business	The Austrian winery **Weingut Polz**: "Our new strategy consists in focusing on the essentials," noted Erich Polz II, who recently took over the venerable winery from his father Eric and his brother Walter." (soj 2021)
Unusual circumstances	Alert strategic planning and taking action exactly when needed are exemplified by the digital campaign of CEO Graf von Plettenberg of German sparkling-wine manufacturer **Schloss Vaux**. The company has stepped up its advertising aimed at end customers and offers online wine tasting. "Sometimes with a guitar maker from Deidesheim, at other times with a sommelier, a star chef, or explicit women's night." The winery is also relying more heavily on retailers than it used to. (Franz 2021)

Table 5: Examples of circumstances to strategic rejiggering
(All texts excerpted from press releases)

In light of the growing complexity, transparency, and networking in the business world of today, rock-solid strategic planning and undertaking strategic planning at regular intervals are essential also for small businesses. Entrepreneurs should resist the temptation to devote 100 percent of their time to keeping their businesses afloat and instead go on a retreat at least once a year, in order to **take a step back from the operational business** to reflect on what is happening, what changes will impact how and what the strategic implications for the business are. Undertaking an analysis of a company's current entrepreneurial situation and laying plans that look to the future can be a boon for pending entrepreneurial decisions, but they are also of great help for internal and external **communication** (e.g., preparing for a meeting with a key complementary actor such as a bank that might be providing a loan; negotiations with business associates; or for enlisting the services of a marketing consultant). Time spent in mulling over whether (and how) you might want to tweak your business model is well spent, given that any **risks** that might thereby be avoided, successfully capitalizing on known market potential, making persuasive pitches to partners, and your employees being fired up as never before as the result of your rethink: all of this creates value. And when it comes to sustainability, strategic planning is an absolute must for small businesses, for it will help to ensure that your business remains a going and hopefully thriving concern going forward and can also help to use sustainability

in ones strategy to differentiate and win customers. True entrepreneurship means pursuing goals rigorously and persistently. Which means that rethinking your company's operational situation and market positioning is bound to reveal whether you need to rejigger your strategies. Embedding such rethinking in your day-to-day operations and continually updating your business strategies will go a long way toward ensuring the long term success of your business.

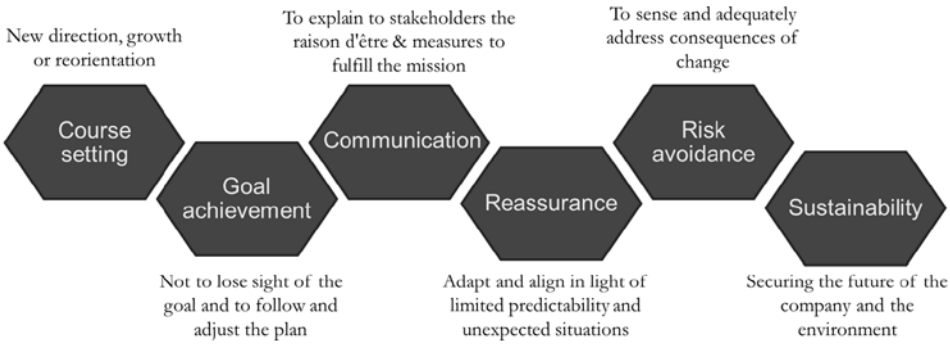


Figure 44: Sound reasons for rethinking strategies at regular intervals

5.2 Analyzing the business environment

All businesses are intertwined with and thus dependent on an operating environment. The environment and changes therein can affect the company favorably or unfavorably. Two complementary perspectives of a macro environment and a microenvironment help to understand (a) the factors that provide opportunities and threats to firms and (b) factors that potentially affect the performance of a company, its ability to tap opportunities, to potentially minimize risks and to shape and form competition within industries. The macro-environment represents exogeneous, uncontrollable forces (outside the control sphere of the entrepreneur) – e.g., legal aspects to comply with. Factors that are more industry-specific have a more direct impact on the activities of an organization in their immediate environment are subsumed by micro-environment. Micro environmental factors include for example customers or suppliers.

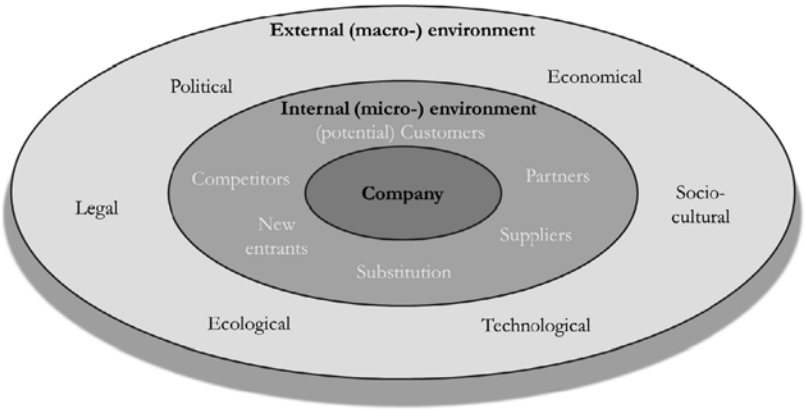


Figure 45: Environmental dimensions (Schreyögg & Koch 2014)

In the following, common and proven analytical tools foremost ensure a holistic but structured approach of analyses for strategic planning.

5.2.1 The virtues of analyzing the external business environment

In order for a company to thrive in a constantly changing operating environment, it should take pains to recognize the **need to change** its ways or capitalize on opportunities created by changing circumstances in the external (macro) business environment. The first step to achieving this is to take stock of factors in the external business environment that are currently affecting the company, and then, based on this data, make an exhaustive list of the changes in that environment that have implications for the company, based on the **relevant market**(s). For example, a ban on online gambling is not a relevant factor for the wine sector, whereas documentation of consulting activities for financial products is of prime importance for banks, but not for supermarkets. Thus, you need to exhaustively analyze the factors that impinge upon *your* market – and in so doing consider their implications for the future of your business.

Surveys concerning attitudes toward the business environment on the part of winegrowing entrepreneurs reveal a distinctive way of perceiving external influencing factors that differs considerably from such attitudes in other industries and sectors:

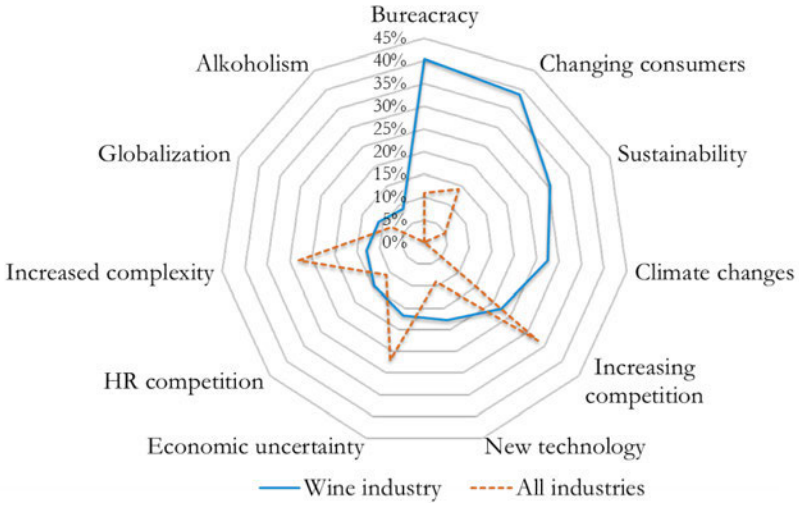


Figure 46: Weighted relevance of external business environment - German businesses in general vs. winegrowing industry (author's 2012 survey; BCG 2009)

> The business management literature contains a number of strategic frameworks for the analysis of external business environments that provide insight into all aspects of such environments; one frequently used such framework is known as a **PESTEL analysis** is an acronym for a structured coverage of the external factors **p**olitical, economic, **s**ocial, **t**echnological, **e**nvironmental and **l**egal).

A PESTEL analysis for the German winegrowing industry will likely yield the following insights:

Political: On a regional or national level, German vintners receive political support as evidenced by politicians' speeches at vintner forums and them expressing love for wine. Funding programs support vintners for example eventually in their investments. On a more global reach, trade barriers are having a detrimental effect on the winegrowing industry as wine is often used as a tit for tat response (e.g., China's import tariffs on European wines in response to EU measures aimed at cutting back on solar cell imports from China; wine import tariffs resulting the dispute over government aid for the air carrier industry EU vs. USA).

Economic: Germany is the most stable and economically powerful country in Europe, and German products are in great demand worldwide, in large measure owing to the reputation for trustworthiness and reliability that German businesses have built up over the years. Germany's low interest rates have spurred to capital investments, since they result in lower financing costs – but interest rates rose significantly making investments more costly. The weakness of the euro is a boon to sales of EU member state exports.

Social: Even though wine, unlike spirits, is generally regarded as just another beverage you buy at the supermarket, the spread of healthism and the resulting reduction in or abstention from alcohol consumption are expected to depress wine sales. Discussions on advertising bans illustrate that societal change is to be considered in strategic scenarios.

Technological: German winegrowers transitioning from manual to mechanical grape harvesting has greatly increased efficiency. Grape harvests are quicker and far less cost intensive than they used to be, fewer workers are needed for the harvest, and planning quality has improved. Digitization has a profound effect on wine production and sales, given that all relevant interfaces are subject to reconfiguration. The interface with wine consumers can be altered by technology, but whether selling wine as a non-fungable token (NFT) depends on the perceived potential of wine-estate and the fit of the business model. The decision as to whether a winery uses optical sorting machines, drones or artificial intelligence (AI) depends on the vintner's personal preferences, the amount the vintner wishes to invest, the current technological state of the art, and how well the winery is doing financially. The determination as to whether a particular technology is a risk, or an opportunity needs to be made as part of a planning process.

Ecological: Climate change is having a major impact on agricultural production in general and on the German winegrowing industry in particular: (1) the advent of new winegrowing regions; (2) extreme weather events; (3) the attendant changes in consumer attitudes, as embodied by consumers' preferring sustainable products and the fact that organic products are gobbling up ever greater market shares; and (4) external effects of agriculture (e.g., loss of biodiversity). If pesticides were at one time hailed as the saving grace of the agricultural sector, as these products were a boon to productivity, nowadays their detrimental effects on human and animal health are coming increasingly into focus and many consumers favor alternative solutions.

Legal: A magnitude of regulations in the German wine sector is mainly determined by German and EU standards that aim to safeguard consumers as well as the interests of wine vendors. These regulations define what constitutes a wine, how wine is to be produced (vineyard surfaces and cultivation rights) and marketed (e.g., in-

formation on wine labels). The recently amended version of Germany's Wine Act (Weingesetz) is indicative of the effect of government policy on the German wine sector. For example, the law now contains stipulations concerning the naming of wines (e.g., whether a wine can be called a German wine with reference to its geographic provenance; or production-related requirements such as fill levels and alcohol content).

In order to respond robustly to the far-reaching changes that we are seeing in today's society and at the same time contend with the myriad factors that affect production processes, flexibility is of the essence. E-commerce and other new marketing channels, along with radical changes in consumer attitudes – in particular the growing demand for variety and convenience – are especially relevant to the winegrowing industry, given that wine consumption itself is largely governed by hedonism and other subjective factors. The German winegrowing industry's **room for maneuver** seems severely limited by the staggering amount of red tape mandated by EU and German agricultural regulations increasing buraucracy. And so, the winegrowing industry is caught between the Scylla of **red tape limitations** and the Charybdis of ever-**changing consumer purchasing behaviour and attitudes**. These and other profound changes in the business environment and the factors that impinge upon it require swift and non-bureaucratic responses and hence entrepreneurial approaches - burdensome obstacles are a threat to the needed room for maneuver.

In the winegrowing industry, production quantity and quality are determined by oftentimes unforeseeable weather conditions, a situation that gives rise to strategic and context-specific responses on the part of industry decision makers. For vintners, **climate change** – in effect, weather – has a massive impact on their grape cultivation, grape yields and their financial situations. The upside to climate change is that it has transformed regions once unsuitable for winemaking into wine producing areas. Of course, the downside is that the very same phenomenon poses a severe problem for traditional winegrowing regions, owing to unusually hot weather and persistent droughts. The stated crucial challenges (climate change; ecological sustainability and acting in a socially responsible fashion) are not identical to non-agrian based industries, where these factors were the least important considerations in comparable surveys.

When entrepreneurs analyze the workings of their own business environments, they will come up with an individual perception of need of change, impending opportunities and risks. This holds true both for the **relevance of the factors** that affect a business, as well as for the **assessment of these effects**. For example, an entrepreneur might regard the growing relevance of ecological factors as an opportunity and consider making a strategic decision to switch to fungus-resistant grapes with a view to complying with restrictions on pesticide use that they have reason to believe will be coming into effect before very long. When reading a journal article that in the USA the three tier system, that denies direct purchase of foreign wines to end-consumers, could be investigated by anti-trust administration ("*…calling for regulations that limit distributors' ability to consolidate and claim exclusive territory, as well as promote producers' ability to self-distribute and negotiate for more favorable distribution contracts* …") they might judge this to open an opportunity. But if, on the other hand, a vintner regards Brexit as a political risk, they will probably not place great importance on exporting their products to the UK; whereas winegrowers who do not export their

products will disregard Brexit and will focus on other aspects of their business environment.

Update your external environment analysis on an annual basis, by incorporating into it the relevant materials from the media, as well as from conversations (or meetings) you've had with colleagues, business associates and other complementary actors. Step by step you can consolidate the information also from other strategic management tools to create a strategy and planning policies and guidelines.

For every entrepreneur worthy of the name, keeping a watchful eye on the external environment in which your company does business should be (or become) as reflexive as paying the electricity bill. This practice will enable you to (a) respond to change in your business environment in a timely and targeted fashion; and (b) detect trends that are relevant to your business activities to exploit opportunities. To this end, you might want to consider making a habit of reflecting on the following:

[1] Might changes in the political climate in my country or elsewhere have an impact on my business model (e.g., subsidiaries; trade tariffs …)?

[2] Have the economic conditions that affect my industry and my company changed of late (… e.g., inflation rate; interest rates)?

[3] What changes have taken place of late in the behaviour of various social groupings, and are these changes relevant for my customers, employees, or other complementary actors (e.g., price sensitivity; diversity; mobility)?

[4] Are there any recent technological changes that might prompt me to update any aspect of my business activities and operations (e.g., need to provide additional information via QR codes; new standards)?

[5] Which ecological and environmental changes could potentially have an impact on my entrepreneurial activities (e.g., emission restrictions; water rights; recycling quota)?

[6] Are any new laws in the pipeline, or have any been enacted (or amended) in my own country or elsewhere that might be relevant for my business activities (e.g., green power fueling; minimum wages)?

Keeping your business environment analysis up to date can be a highly useful tool when it comes to adapting your entrepreneurial strategies in a forward-looking fashion.

5.2.2 The virtues of analyzing a company's micro-environment

The micro-environment deals with industry specific environmental factors a company faces. Analyses of the internal environment customarily use Porter's Five Forces model, developed by Michael Porter. His approach serves to better understand industry-specific constellations looking into the potential market forces of actors within an industry:

The **"Five Forces Model"** is a framework that helps assessing the attractiveness of an industry or sector by exploring the relative power of market participants. It looks at whether producers are dependent on their **suppliers** that can enforce

their conditions. How intensive is the current **rivalry** within competitors and is the market power changing because of new entrants? If there are no barriers to entry and the market seems to offer promising profit pools the threat of **new entrants** is high and eventually they win market share with new, innovative offerings. The threat of **substitute** products furthermore indicates a need for innovation to not be driven out oft he market. If **customers** on the other hand need to take big efforts to change their supplier, providers might be reluctant to create new offerings. The model overall helps to understand market power, the dynamism in a given market and But the model also serves to create „what-if scenarios" to simulate ones strategic options but also the potential ones of market actors.

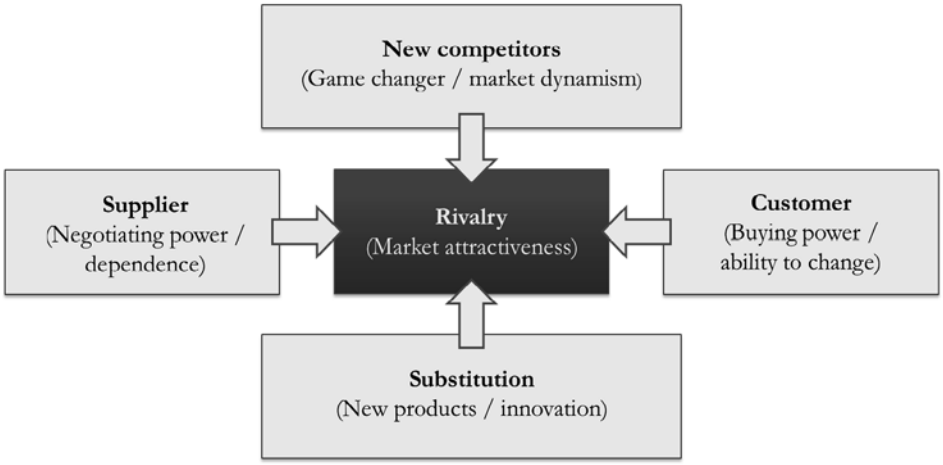


Figure 47: Porter's Five Forces Model (Porter 1980)

Suppliers having the upper hand can result in economically disadvantageous dependency; suppliers raising their prices may compromise the seller's profit margin, and in some cases (e.g., jet engine turbines) there may be little in the way to switch suppliers. Industries where suppliers deliver predominantly commodities experience a strong buying power from the producers (e.g., clothing industry). In cases where entry barriers are low, **new entrants** may quickly gain customers from the established market players, e.g., pop-up stores. Low **rivalry** means little or no competition and characterizes monopolistic markets (e.g., aircraft industry, energy provision, concrete industry) there is a risk that excessive prices result in monopoly-level profits. In sectors characterized by **buyers having a strong bargaining position** pressure on the suppliers can be excessive: Auto industry suppliers experienced that their customers (i.e., car manufacturers) asked for internal company information and a transparent cost scheme with the argument to help them optimize their processes to lower costs. The information certainly allowed car manufacturers to identify the potential for reducing the prices for their sourced goods so that the suppliers had to miminize their margins. In the German winegrowing industry, supermarkets – illustrating their strong and increasing market power - are in the habit of demanding quantity price discounts, guaranteed delivery amounts, and marketing support from their suppliers.

Substitution products can have a profoundly deleterious impact on existing products, a prime example of this being the typewriter, which was rendered virtually extinct by the personal computer, as also happened with land phones when smart phone use became widespread.

> What The Five Forces paradigm reveals about the German winegrowing industry: Germany has a staggering number of wine brands (more than 10,000 national ones) for customers to choose from. This results in cut-throat competition, which is exacerbated, especially by imported wines and low-price wine imports. **Rivalry** is high and manifests in a low profitability of the wine producers on average. Since 1980, the number of German wine producers has declined by more than half. **Barriers to entry** mainly consist of vineyards, wine making competence, and investments into production (e.g., press, tanks, barrels). Wine production in Germany is subject to government regulations, which also limit the amounts that can be produced, the varietals planted, the plots - wineries must have adequate viable vineyard surfaces at their disposal and must be granted vine cultivation rights. German law strictly limits any increase in the country's vineyard surfaces – purportedly so as to prevent downward pressure on wine prices owing to overproduction. In a densely populated country such as Germany, arable land of any kind can be a rare commodity. Hence for wine entrepreneurs with heady ambitions, the way to grow their businesses is to win market from the competition – a trend embodied by the ever-growing size of individual winegrowers' businesses. Given that materials account for only a fraction of the total cost of winemaking the **suppliers** of these products have relatively little market clout. However, this can be subject to change, illustrated by an actual shortage or excessive price increase of glass bottles, quality corks and even cardboard, signposting a growing market power in favor of the suppliers. Annual wine consumption in German amounts to upwards of 2 billion liters, for which **customers** shell out more than €13 billion per year. Retailers constitute a crucial interface between wine producers and price conscious consumers, particularly in terms of the amounts sold. As the German grocery store sector consists of relatively few major players, it is in a strong position when it comes to negotiating contractual terms and conditions. The power of **retail** is ever increasing. German **consumers** tend to purchase wines via a range of marketing channels, a trend that is also driven by churn, in the sense of the urge to cast about for new or different products and shopping experiences. The extraordinarily large number of products and brands at their disposal, and no switching costs undermine customer loyalty. Organic wines are steadily gaining ground in the shelf space wars, and many customers now gravitate toward products classified as sustainable or sustainably produced. In Germany, the main **substitution** product for wine is beer. Craft beers, cocktails and other mixed drinks, as well as non-alcoholic beverages, are becoming ever more popular and the spread of healthism could potentially reduce wine consumption in Germany. Still, for all the formidability of the barriers to entering the German wine market for conventional business models (full value-chain coverage, from owing vineyard surfaces to creating and selling wine bottles) the wine sector attracts **newcomers**, often tempted in pursuing their dreams of own wines rather than driven by earning piles of money.

In highly competitive markets, your company's profile and positioning are key to attract customers. Allowing yourself to see your micro-environment from multiple

angles may enable you to come up with more varied areas for realms of action and the attendant options. A vintner cooperative with strong sales to retailers, wine scanners used for qualitative and efficient harvest, and embarked on projects involving the use of drones for winegrowing will surely have a different take on its business environment than a small winery that mainly relies on traditional, manual processes and that sells its wines solely directly to the end consumers. Once you have assessed the factors that impinge upon your internal business environment, you should capitalize on your own strengths, check for any deficiencies that you need to remedy, and apply these remedies to your business model and your marketing activities.

Small businesses entrepreneurs are adviced to collate relevant information from print media, client or colleague interaction, observations at fairs or when trying products of peers. Your micro-environmetal analyses should be embedded in everyday activity, for example:

- A thoroughgoing analysis of your customer base, in terms of problem areas, **customer feedback** about your company in social media and so on.
- Keeping a **watchful eye on the competition**: test out the products of other providers – be positive in regard to their offerings and explore what they do well; analyze your competitors' price lists; instead of treating trade shows as mere marketing events set aside time to visit other providers' booths and keep records of your observations.
- Interacting with **representatives of your sales channels**: e.g., set up meetings with sales reps and discuss current trends in your industry and market; evaluate products and product ranges with retailer marketeers or reputed experts in the industry.
- **Product testing**: purchase competitor´s products that have received positive or negative reviews in the media; try new products or offerings that you usually would not consider.
- **Experiment**, for example, by treating new products as a pretext to interact with customers or develop and market new ideas jointly with partners or competitors.

An analysis of your micro business environment should be done explicitly in order to reflect on the attractiveness of your industry and your business, explore fields of action and thus help you to identify areas that you might need to focus on more. A series of possible questions and activities as follows:

[1] Who do I see as competitors, how is our rivalry and what is my position vis-à-vis the identified players? How many businesses have a product portfolio that's comparable to my own? How do my industry and market shape up in terms of growth and product saturation? Are any price wars ongoing or in the offing? If so, how tough are they likely to be? What are the strengths and weaknesses of my competitors?

[2] How much are my customers tied to our offering? Could we sell more and how? What are scenrios of downsizing? To what extent are your customers price conscious? Simulate the effects of an excessive price-increase and lowering the price! What options do my customers have when it comes to negotiating terms and conditions with my company? How do I help to create value for my customers? Is it easy for my customers to shop elsewhere? If

so, how easy and what are the key arguments in favor or against substitution?

[3] Who are my suppliers and how dependent am I on them? Simulate price increases or supply shortage! To what extent do I have leeway to negotiate with them? To what extent do my suppliers help my company to produce value? Do alternatives exist in this regard?

[4] Are there any new entrants that could potentially be a competitive threat to my organization? If so, who are they? Is my market appealing to newcomers and why or why not? Is it a relatively easy matter to copy my products? If so, are there any safeguards or other elements in place that could forestall copying, such as patents, capital-investment requirements, learning curves?

[5] Could my products be supplanted by alternative solutions? If so, how great is this risk? Are my products relatively replaceable with substitutes? Are the needs and preferences of my customers likely to change? Could these needs and preferences be met by substitute products? Have there been any technological or other innovations in my industry that call for me to offer new products?

5.3 Analyzing the overall situation of your business

An analysis of your company serves to identify need for change, adjustment and adaptation by looking at the current situation but foremost in recourse to the results of environmental perception. This activity consists of a deep drill into the company to identify the building blocks that your company is (out)performing or lagging and what needs to be done to prepare for your envisioned future. Complement your self-assessment and your **one own view** (i.e. in-depth internal company analysis) with an **outside perspective** (external view), for example a benchmarking by a third party. Subjective assessment of your own organization will be validated by step outside competitive benchmarking.

5.3.1 Internal analysis of the company

Start an evaluation of your company by clarifying the reasoning of the analysis (e.g., understanding performance or non performance, assessing capabilities or shortcomings of a company, exploring entrepreneurship or innovativeness). **Make a list** of your business strengths and weaknesses. Then drill deeper by shedding light on building blocks and activities, on assets and competitive advantage and eventual uniqueness. Such more thorough analysis paves the ground for a comparison with **references**, such as a competitor benchmarking ("setting a bench or a mark to be achieved"). Access to data and information is often limited. Start with your intuitive perception and refine stepwise by substituting with more accurate information. Corporations often buy competitors products to for example analyse new technologies or components or they even try to spy eventual proprietary information. The internal perception of strengths and weaknesses need to be quantified and visualized at the end of the process.

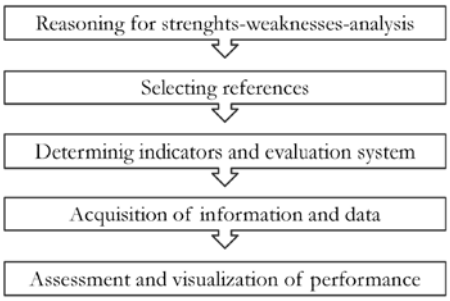


Figure 48: Steps in the creation of a company analysis

Michael Porter developed the **value chain model** that can serve as an analytical instrument to shed light on your organization. The value-chain approach decomposes the transformational production in a company. The model distinguishes primary activities (e.g., production, sales) and supportive, secondary activities (e.g., human resources management, controlling). Both groups of activities are relevant when analyzing your company:

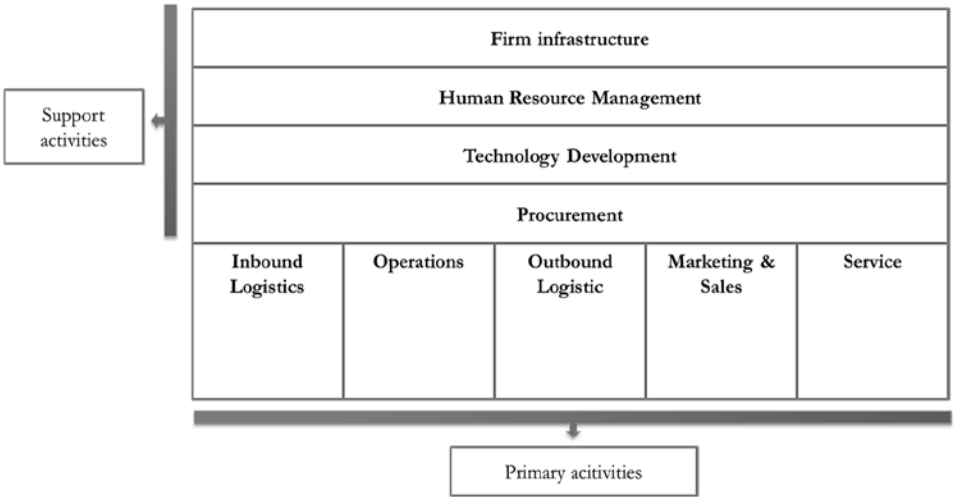


Figure 49: Porter's value chain model (Porter 1989)

5.3.2 Benchmark with peers

The results of the value-chain analyses now serve for benchmarking initiatives. Most commonly companies try to evaluate their performance against direct competitors in order to identify possible levers for improvement.

Benchmarking is a management tool that allows you to optimize your organization based on the practices and concepts of exemplary companies or **role models**. Benchmarking aims to identify best practices that serve as a basis for determining which measures need to be implemented. In this process, a target

value (benchmark) is defined, whereby a far-reaching analysis of the benchmark company processes also serves as a roadmap to implementation of the requisite optimizations. Benchmarking can also provide insight into ways to cut costs, implement digitization projects, and institute a customer relation management program.

The company assessement analyzing the activities and functions performed by your business will create transparency in regard to your company's capabilities. Furthermore, it will provide insight into areas that could stand improvement, and help you determine which measures you need to take – particularly when it comes to interactive comparisons with partners, which is a core element of comparative benchmarking. For such purposes it's useful to create a visual scale of capabilities ranging (e.g., Outstanding: +10, Advantageous: 7, Neither here nor there: 0; Disadvantageous: -7; Inferior: -10).

Ressources and competencies	Compared with competitor x	Scoring
	Range -10 to +10 (0=neutral)	Weaknesses -10 -9 -8 -7 -6 -5 -4 / Indifference -3 -2 -1 0 1 2 3 / Strenghts 4 5 6 7 8 9 10
Product quality	+9	
Production efficiency	-3	
Supplier partnership	+2	
Technichal equipment	+8	
Upstream costs	-2	
Process innovation	0	
Capacity	+6	
Employee know how	+8	
Leadership	+8	
Marketing	+2	
Sales	-6	
Customer centricity	+7	
Downstream costs	-6	
Image & reputation	+3	

Figure 50: Illustrative benchmarking result

The consensus in the business management literature is that competitive benchmarking should be based on a **company's direct competitors**. However, this can be risky for small businesses, in that if the reference entity is a company that has developed along similar lines to your own, the findings will yield only limited insight owing to what is known as the **bandwagon effect** – a psychological phenomenon in which people do something primarily because other people are doing it, regardless of their own beliefs, which they may ignore or override.

The **bandwagon effect** describes a herd mentality. As we are all social beings, we observe behaviour of peers. Following the principle that the masses cannot be wrong snowball effects are the result: follow the herd! This social effect often occurs during political campaigns, where predictions that a given candidate will win influences the final outcome. The term bandwagon effect originated in the US in 1848 when a circus clown named Dan Riceran ran for office and used his

bandwagon and music in his political speeches – and encouraged people to jump on his (literal) bandwagon and travel with him. The more people joined Riceran on his bandwagon, the greater were the supporters and nurtured the interest of others – but solely because many others had done likewise. In economics, the bandwagon effect refers to a situation where demand for a product grows simply because other types of consumers are purchasing it, i.e., the individual needs or preferences of consumers are not key element in decision making. In businesses it was observed that they migh launch innovations because other companies have introduced such, although the particular benefit to the company itself has not been evaluated upfront. The anxiety to miss out opportunities is the motivating factor in such cases, and such measures are realized in the absence of a benchmarking entity.

Competitive benchmarking in highly segmented sectors (i.e. ones with a large number of actors) can be problematic in identifying benchmark entities and readily available information for use. Little useful information is available concerning individual providers, which makes it next to impossible to undertake competitive benchmarking that provides more than merely superficial results. That said, if you're determined to gain insight into your own company's strengths and weaknesses, **median values** and key performance indicators (KPIs) from your own but also comparable industries can be useful. Such data is available from sources such as market research reports or financial institutions. Information that is readily available concerning exemplary companies can also be helpful when it comes to identifying role models and cherry-picking their practices and concepts that are most useful for your organization. You might also want to consider paying a visit to selected foreign companies, or customer reports and expert opinions in the press. Indeed, sophisticated comparison uses different peers for benchmarking primary activities (e.g., outperforming competitors with similar business models) and for the secondary activities one chooses a key performer in the activity to learn from (e.g., logistics = UPS).

Ever since its founding in 2004, the main aim of the Spanish winery **Sommos** (priorly **Irius**) has been to produce the world's top wines. During the winery's planning phase its owners visited more than 300 wineries with a view to gaining insight into the keys to their success, their operational processes, and discovering what it takes to become an exemplary winery. Robotics and digitization were integrated into Somos's facilities from the outset, with a view to achieving efficient processes that also handle wine grapes with care. Somos features amenities such as a partly automated barrique cellar, innovative wine tasting rooms, an aroma experience room, and a movie theatre that screens films for winery visitors.



Easing into strategic planning one step at a time isn't necessarily a simple matter for small businesses, since such organizations generally lack the kind of in-house strategy teams that large companies usually set up. Also, such strategizing takes time, and in small businesses in particular, time is often of the essence. In assessing their situation

relative to the competition, small business entrepreneurs can also opt to rely on their intuitions rather than actual analysis. However, if you opt for this solution, it's advisable to obtain some **objective feedback** by asking like minded individuals to participate in the process, including one or two who are willing to play **devil's advocate**. You can of course also seek the advice of consultants or subject experts – although you're probably better off first checking if anyone you know (employees, relatives, suppliers etc.) might be an even better choice for bouncing strategy ideas. Here too we see the importance of cultivating a network of contacts among the whole gamut of complementary actors. Stakeholders, for example, are often very knowledgeable about your company, your competitors, your customers and their needs, preferences and behaviour patterns, and your business environment in general. Apart from the fact that soliciting other complementary actors' feedback can be very helpful, doing so with partners shows that you value and respect their views, and helps to forge lasting bonds with them – an aspect of social sustainability.

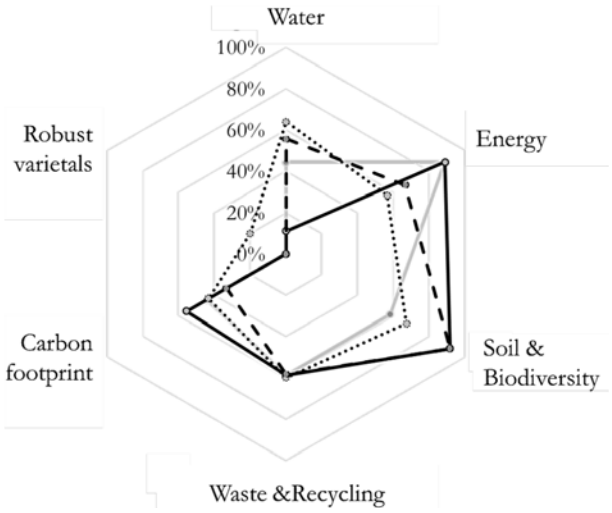


Figure 51: Comparative sustainability benchmarking (three exemplary wineries – research result)

What also works to the benefit of **strategic sustainability management** is **sharing experiences** concerning measures that have been implemented and their effects. Likewise helpful for market positioning of sustainability activities are benchmark comparisons, given the great complexity and myriad levels of sustainability. When it comes to sustainability, **end-point target values** are not the mean, because sustainability is an evolutionary concept. Inasmuch as the number, scope and effects of the measures taken are of value when sharing experiences. The first step in sharing individual experiences in sustainability process is to select partners who are pursuing similar goals. Then, benchmarking criteria for all aspects of sustainability need to be defined jointly, and in light of existing sustainability measures. Participating companies then document their level of achievement, and ways and means to optimization are identified based on exchanges concerning the relevant background and measures. Undertaking such exchanges on a regular basis is also advisable, given that dynamically innovative approaches, technologies or improvements can potentially open up

new horizons for sustainability management. To this end, it's advisable to ensure that comparative benchmarking encompasses all three pillars of sustainability. Obtaining **certifications of sustainability** employs the concept of comparative benchmarking. Certifications thereby allow for documentation of a company's accomplishments, which can be advantageous when it comes to communicating with customers and retailers. Certification also confers official kudos on the company being certified, and this can in turn be satisfying to all concerned, and for small businesses can constitute an extra and even decisive bonus success factor. But certification is a resource consuming process. It should be borne in mind, however, that certification usually involves considerable effort and expense – in time and money and a small business owner should reflect whether the transparency created is wished.

> The sustainably certified winery **Weingut Egon Schmitt** having received an award of the certifier with these words: *"Weingut Schmitt is a winery that has conveyed and that practices in a daily basis its commitment to sustainability in an exceptionally persuasive fashion. This exemplary and dedicated family-owned winery has developed myriad concepts and has implemented them step by step – and in so doing has encompassed all three pillars of sustainability."*
>
> Melani Harding, owner and winemaker of **Bon Niche Cellars**, in California states "It's important to me to be a conscientious member of our community. The Sustainability in Practice Certified program is a comprehensive process that demonstrates our dedication to people, our land, and our vines."
>
> Given the considerable amount of time and resources that the process requires the German winery **Weingart** for example communicate their portfolio of measures to be sustainable but explain the fact that they decided to eschew an audit of their operations.

In all likelihood, retailers will increasingly be basing their supplier vetting processes on certifications and will come to see this parameter as a sine qua non for effecting purchases. This trend is attributable to, among other things, consumers' expectation that sustainability be managed competently and that non-compliance to communicated ambitions will be disclosed. Be aware of regulatory efforts to create transparency to avoid, the European community draft bill is restrictive for green claims.

5.3.3 External perception: customer & expert judgements

The internet affords not only rapid access to product information, offerings, and prices but also developed into a platform where **customers share their experiences and opinions**. These statements express external views on a company. Leaving a judgement and remarks on the providers´ webpage, manifesting them in webforums or on customer-review websites such as Yelp have a considerable effect on the purchase decisions of other customers. In addition, **reviews** by professionals or **expert judgements** help customers make informed purchase decisions and are useful for businesses as well.

> Gault&Millau, a wine and gastronomy journal and wine jury, gave the German winery **Weingut Schwarztrauber** three grapes (max. five) the first time the winery appeared in the guide. Weingut Schwarztrauber's vintner regarded their wines being reviewed in Gault&Millau as a benchmarking experiment. "I was really curi-

ous," the vintner said, "to find out how my wines would fare in a blind wine tasting realized by a jury of crème de la crème wine connoisseurs."

Reviews by wine connoisseurs often affect the reputation of a business and its products, especially in the winegrowing industry with its **asymmetrical information** (wine consumers do not posess the capabilities to judge on wine quality communicated by producers or experts) and the **experiental nature** of wine (in order for judgment to be passed on a given bottle of wine, it has to be consumed). The thumbs up versus thumbs down decision whether one likes a wine is often complemented by a complex purchase decision involving parameters such as winemaker, grape variety, price, country of origin, appellation and so on. Wine consumers tend not to claim to be wine connoisseurs and given a lack of objectivity to judge wine qualitity they might rely on expert tests or quality seals, and increasingly by customer reviews.

The youngest descendant of the **Barons Longo** family decided to revive his family's winemaking tradition, which dates to the 17th century on the family estate in Southern Tirolia, Italy. Anton Baron Longo had to invest in a winemaking facility, in acquiring the requisite skills and abilities, and in devising viable products and marketing strategies. In just five years of starting up it turns out that Baron Longo has achieved his goals, as is evidenced by the top ratings he has received from the international wine journal Falstaff.



One good way to evaluate your own process and service capabilities is to conduct a **mystery shopping**. For instance, the Italian tire company Pirelli hired a market research firm to conduct a mystery research study in order to find out how Pirelli retailers come across to customers, and to determine the quality of pre-sales advice and after-sales service for new tires. They also explored whether salespersons try to get customers to make additional purchases (apart from just tires), and if customers are sent timely reminders when it's time to change from summer to winter tires or vice versa.



The main purpose of **mystery research** is to evaluate service quality at customer touchpoints, for example by performing **test purchases**. Mystery research focuses on the various aspects of a business's performance, unlike customer surveys, which focus on customers' opinions. In order to avoid the Hawthorne Effect – where a person participating in research acts or behaves differently than they normally would because they're aware their behaviour is being observed – it is essential that such test purchases be taken for the real thing. To this end, market research firm field researchers try to pass themselves off as actual customers making a **real purchase** (mystery shopping), **store checks**, and social media or **youth-protection tests**. The results of the mystery research allow a comparison in regard to the service levels and shopping experience that the providers wanted or wants in place.

There are also mystery tourists (hotels), mystery patients (healthcare) and mystery visitors (museums), all of which aim to put the finishing touches on the quality management of the businesses in question. A modified test of service quality can also be carried out without the aid of a market research agency. A small business owner can invite friends, students or even customers to realize a buying process. In such cases, to evaluate process quality and all aspects of purchasing, one needs to (a) define the service levels and relevant process-related entrepreneurial aims, (b) to make sure that the "test buyers" are not identified as such and (c) be receptive to the test personnel's feedback.

> Following are the **observations from a mystery shopper test purchase** carried out a college course in a high-end German winery in the Palatinate: "The boutique wine store had yet to open at 9:25 a.m. although it's posted opening time was 9. The mystery shoppers (MS) had difficulty finding the entrance and had to wait ten minutes outside in the cold until the store opened. No word of explanation or apology was forthcoming from the store's personnel. The MS found the space's ambient music to be disturbing. Plus, inasmuch as the MS's specific product preferences weren't addressed in any recognizable fashion, the MS felt that the pre-sales advice provided by the salesperson fell far short of the MS's expectation of an outstanding shopping experience. However, the cleanliness, air conditioning, decor and professional competence of the wine store being tested were excellent."

It's essential to define, convey, review and update the entirety of the businesses` service portfolio and offering. In light of the findings of the exemplary mystery shopping experience described above, the wine sales shop in question can think about changing its opening hours, since as a rule customers don't patronize a boutique wine store until 11 a.m. at the earliest. The store might also want to consider professionalizing its new-customer acquisition process. Customer contact information could be acquired via special offers for new customers – which would also provide an additional impetus for them to make a purchase. As for the soft skills of the shop's staff, it would seem that they could use some training in this regard. From the get-go, the market research survey design process will help you to reflect on wished or needed service levels.

> The sales team of the German cooperative winery **Lauffener Weingärtner** regularly checks to ensure that the products are featured optimally in the store (e.g., shelf placement). Such optical check in the context of mystery shopping is an essential component of their quality management.

As an entrepreneur, analyzing how your company is faring at any given point in time will help you to identify, and capitalize on, the factors that make the difference between a thriving business and one that's just getting by. Integrate an external view into your assessments. To this end, you might want to consider making a habit of reflecting on the following:

[1] What do I hope to accomplish in evaluating the current state of my business? (e.g., explore key success factors; validate capabilities; challenge value creation; reconsider the offering and product portfolio; assess innovativeness; benchmark sustainability …)

[2] Which reference entities are relevant for my business? (Possibilities include competitive benchmarking to direct competitors); best-practice identification; meeting client expectations; development of my business in recent years ...)

[3] Which assessment method and KPIs make most sense for my company? (Consider quantitative, qualitative, plus/minus assessment, scoring models ...)

[4] Which sources should I turn to for relevant information? (e.g., scientific literature; newspapers/magazines; internet; published industry benchmark reports; partners; banks; networking with colleagues ...)

5.4 Strategic room for manoeuvre

Strategic measures should be devised by merging the findings of the analysis of the intra-organizational and extra-organizational factors that affect your company, while at the same time taking into account the relevant trends and changes, and any particularities of your company. To this end, a SWOT analysis can be carried out, which focuses on (a) the **s**trengths and **w**eaknesses of your organization relative to the competition; and (b) the **o**pportunities and **t**hreats and that you extrapolate from these findings.

SWOT stands for **s**trengths, **w**eaknesses, **o**pportunities and **t**hreats.

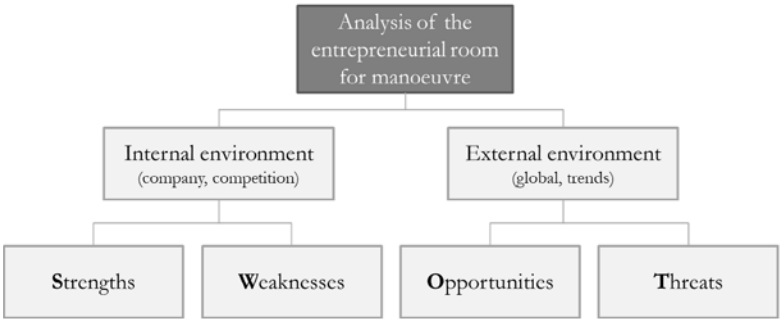


Figure 52: SWOT analysis

You may find that you need to privilege certain elements in order to obtain a clear and manageable result from a SWOT analysis. The following illustrative example names eventual topics to be explored by a SWOT analysis. The tool can be used beyond mere company analysis. For example, it can shed invaluable light on how your company stands vis-à-vis the competition, your industry, your region, or an envisioned or ongoing project.

Deciding whether to categorize a given SWOT element as a strength or weakness, as an environmental factor, or as a risk or opportunity will depend on (a) the **subjective take** of the entrepreneur; and (b) **individual goals**. A particularly high-yield wine harvest year was regarded by almost half of survey participants as an opportunity,

given the likelihood that it would allow German wineries to expand their customer bases and try out new marketing channels. However, 20 percent of the respondents expressed the view that such wine harvest yield was primarily a threat, in that they felt it would result in stiffer competition and greater price pressures.

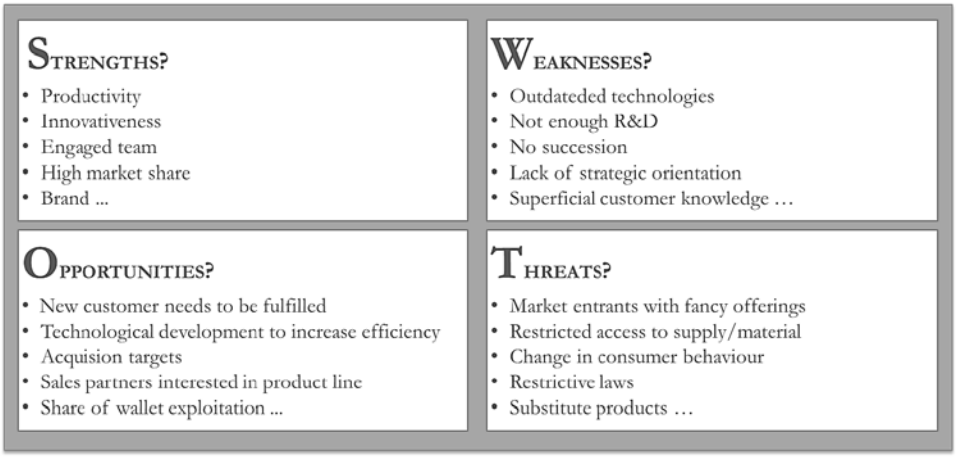


Figure 53: Specimen SWOT analysis

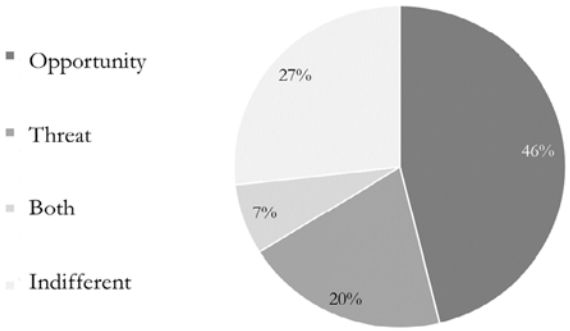


Figure 54: Perception of exceptionally high wine harvest year (survey results)

Strategizing means to be activity oriented. The findings of a SWOT analysis build the basis for a **TOWS** matrix that serves to create strategic measures:

The matrix intends to connect the identified issues and to define a strategy in which your organization's potential might plaid out:

- Which business environment factors combined with the identified strengths serve to leapfrog competitors?
- Which strengths should I privilege to proactively engage as powerplay so that potential threats are absorbed?
- Which weaknesses most urgently need to be remedied and can this be done by exploiting opportunities where the weaknesses are irrelevant?
- Which trends and changes in all aspects of my business environment constitute risks for my organization that combined with our weaknesses call for retrenchment?

Internal Factors / External Factors	Strengths: 1. … 2. … 3. …	Weaknesses: 1. … 2. … 3. …
Opportunities: 1. … 2. … 3. …	S/O Strategy: "Leapfrog" Leverage strengths to exploit opportunities	W/O Strategy: "Nullify" Exploit opportunities where weaknesses are irrelevant
Threats: 1. … 2. … 3. …	S/T Strategy "Powerplay" Play strengths to be ahead and prevent potential threat	W/T Strategy "Retrench" Identify a risk adverse solution

Figure 55: The TOWS matrix

This approach forces to **prioritize** and to assess the validity of **alternative solutions** – hence it calls for **alternative strategies**. It triggers a **creative process** as the approach enforces to take counterpositions for identified risks and weaknesses. The appeal of business opportunities and the potential risk thereof influence investment decisions and should be coherently prioritized and quantified from a potential return perspective. This in turn enables to shift focus from an evaluation based on the company's current situation to one aimed at shaping the company's future. Extrapolating concrete, forward looking strategies is becoming increasingly relevant for planning processes.

Strategic planning involves combining possible courses of action, potentially treated as financial **options**. Treating strategic alternatives as options means that one invests in alternatives and thereby builds a **portfolio** of strategic measures. For instances, an entrepreneur could create a new offering by investing in a startup and building upon partnerships. As time goes on and greater insight is gained, it will become clearer which options are more advantageous and appealing and which less so – and on this basis you can reprioritize which options you need to pursue and which ones to sell or divest. This planning method will help to make companies more flexible.

> The term **option** refers to a financial instrument where the investor **buys a right** to either later buy or sell the underlying securities such as stocks. The advantage of options is that they minimize risk exposure. For example, the currency risk of potential international transactions is eliminated, in that the anticipated transaction total is optioned. This locks in the currency exchange rate, avoids losses resulting from untoward market events – and if the transaction in question is not consummated, risk exposure is limited to the price of the option.

The hereby proposed creation of a strategic framework specifies (a) in which markets or market segments an organization is active; and (b) which company's strengths leverage are your market opportunities. The resulting strategic measures are the major determinants of a company's long-term prospects.



Figure 56: Key questions and types of activities for strategic orientation

Entrepreneurs can strategize by a series of questions that also help to fill a framework to create, reflect on and elaborate strategies:

[1] Which are my company´s strengths and weaknesses? (Be exhaustive: your own capabilities; employee-related; financial robustness; charisma; regional rootedness; assets situation etc.)

[2] When it comes to seizing opportunities that present themselves, which of my organization's strengths should I capitalize on? Or: Before attempting the foregoing, would it be wiser to create conditions, within my organization, that are most likely to enable me to capitalize on opportunities that present themselves?

[3] Does my organization's business environment harbor any risks that could threaten it existence? If so, which ones – and are they directly or indirectly attributable to my weaknesses, or can I use my strengths to deal with these risks?

[4] Which strengths could I potentially capitalize on more effectively – and if I do so, would I be running the risks that the attendant measures would be nullified by external circumstances beyond my control, such as a competitor going me one better?

[5] Which of my weaknesses would I do well to remedy or compensate for?

[6] Which activities are most important from a strategic standpoint? How can I go about prioritizing my strategic action plans?

6 Strategy development, frameworks and strategic action

A strategy is a multi-dimensional cognitive construct for individualized economic value creation:

> *„Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value."* (Porter 1996)

If you conduct a thorough assessment of the current status of your company's intra-organizational and extra-organizational environments, you'll end up with a map of your strategic options that you can then use as a basis for developing your company's overarching strategy. And if you break this overarching strategy down into a series of components with synchronized building blocks that fit well with each other, you'll be well on your way to pursuing strategies that will enable you to capitalize on the potential for achieving sustainable earnings. This entire procedure should strive to achieve the following: value-based orientation; positioning your company in a competitive environment in fashion readily discernible for your customers; and last but not least, hammering out an ambitious and sustainable business model.

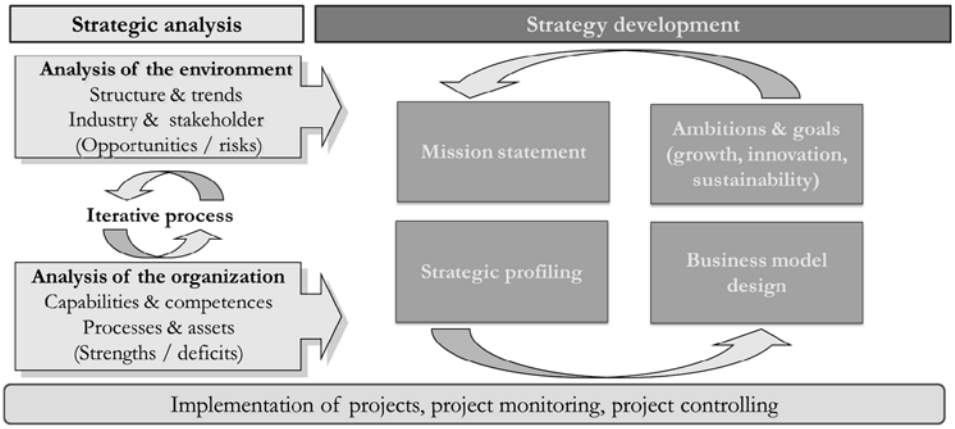


Figure 57: Phases and elements of entrepreneurial strategy development

6.1 Designing a mission and a visionary framework

The **mission statement** declares in simple words the raison d'être of your company and your positive entrepreneurial contribution to society. A **vision** is an enunciation of a desired future state or outcome. Visions help to winnow out any "dead weight" putative courses of action, and thus streamline your decision-making processes. The strategic framework states the **core values** that the company bases all decision and activities on, and which are expected of stakeholders interacting with the company. The declaration of ones mission, vision and values serve as a kind of calling card for your organization and can at the same time promote adherence to positive values on the part of your personnel and stakeholder management (see illustrative example of the Wine and Culinary Center Washington USA).



Mission statements from selected companies (Starbucks, Patagonia, One Hope Winery) illustrate that they express how the company intends to make the world a better place. All action must comply with the claimed mission and communicated values. The strategic framework serves as a DNA of the company. Patagonia and OneHope are prime examples of **sustainability** being the core of their strategic frameworks and actions. By running ads that ask customers to consider whether they *really* need to purchase that new article of clothing, Patagonia, though running the risk of losing sales, accomplishes two things: (1) They address the perennial problem of businesses depending for their survival on ceaseless consumption and the resulting negative impact on resource use; and (2) They promote implementation of the **circular economy**, as well as minimal resource use. As for OneHope, it clearly and concisely conveys the idea that their main purpose is to contribute their sales revenues to charitable organizations increasing customer's willingness to accept higher prices not only argued by wine quality:

Company	Starbucks	Patagonia	One Hope Winery
Sector	Coffee	Outdoor Clothing	Wine
Mission	To inspire and nurture the human spirit – one person, one cup and neighborhood at a time	In business to save our planet: Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis	Disrupting the wine industry: building a force for good – our wine is a catalyst for change
Values	With partners, our coffee and our customers at our core, we live these values: Creating a culture of warmth and belonging, where everyone is welcome. Delivering our very best in all we do, holding ourselves accountable for results. Acting with courage, challenging the status quo and finding new ways to grow our company and each other Being present, connecting with transparency, dignity and respect.	Famous ad campaign "Do you really need this jacket?": (a) emphasizes that their products are durable and are designed to be easy to repair (b) encourages customers to recycle end of life products.	Besides an emphasis on them making award-winning wines they report on their extensive donations and support for organizations (e.g., water, education, health,) and an innovative network-based sales approach.

Table 6: Exemplary mission statements

A value-based strategic framework can help a business to obtain the support of external stakeholders. The German winery Weingut **Van Volxem** declares their mission to "reestablish the regional Saar-wines as top of the notch world-class Riesling products". They provide proof of evidence having identified historic documents stating such a performance and achievements (e.g., historic price lists). Their building of a new winery likely profited of stakeholder´s identification with such an ambitious recreation of a success story.

Video link: mission statement of German winery Weingut Balthasar Ress
https://www.youtube.com/watch?v=_4TS1mJ8XQU



An explicit reference in your mission statement and similar communications to sustainability is crucial letting all concerned know that you are proactively shaping the future of your company and at the same time paving the way for its **durable sustainability**. Studies have shown that letting sustainability take center stage in a company's mission statement is compatible with all forms of competitive positioning (a subject presented below) and at the same time promotes value creation. The constellation of values that you choose to emphasize should be as specific as possible to your particular company and should be fleshed out in your mission statement and embodied by your strategies and operational activities and in all interfaces and other interactive modalities.

How to create a winning mission and strategic framework:

[1] Forumulate in the clearest and most succinct fashion possible to provide an answer to "what is my raison d´etre and what can stakeholders expect from us"?

[2] As an entrepreneur, which values do I stand for, in light of my ethical principles, my desire to see all concerned act responsibly and to deal respectfully with the members of my team, with my customers, with my partners and with nature?

[3] Are the values expressed in my mission statement reflected in my activities those of my team, and is this approach perceptible extra-organizationally?

[4] How do I see my company evolving in the coming years? What do I hope to see my company accomplish in the future?

[5] Are sustainability related concepts genuine cornerstones of my company's mission statement?

6.2 Formulating strategic objectives

Setting strategic objectives is not a mere extension or extrapolation of historic achievements. Strategic planning needs to **reflect** and embody changes and pathway for entrepreneurial exploration of future revenue streams identified in business environments. In addition, more ambitious **aims** nurture success. As a consequence, long-term strategic goals should aim to translate the entrepreneurial desire to effect productive changes in a company's sustainability, innovation and growth (including the possibility of downsizing) into a tangible and coherent constellation of strategic ob-

jectives. Another advantage of clearly defining your strategic goals is that doing so lays the groundwork for fine-tuning of your management methods and practices. Central to this is astute management of the actual processes of change as they unfold – which is precluded by merely providing the bare-essential facts and figures in an annual report and the attendant comparisons with the prior year's results. Likewise of great importance is that assessing the degree to which you've reached your goals also supplies a coherent causal analysis from which you can readily deduce which measures you need to take in order to change course, should that prove necessary. Elaborating your business's strategic objectives in this fashion will go a long way toward enabling you to coordinate, manage and monitor all the various moving parts of your organization. Hence the underpinnings of all decision making concerning strategic goals should be based on your mission statement, along with what you and your team envision for your company's future – in terms of what you want it to become and the values that you want your company to embody. This methodology will provide a robust basis for formulating your strategic goals and translating them into concrete measures.

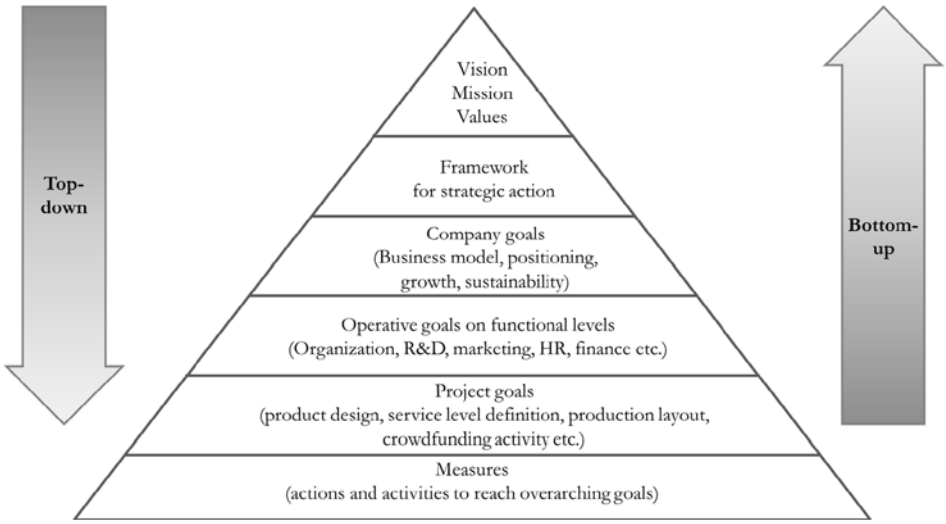


Figure 58: The strategic pyramid (adapted from Meffert)

The **strategic goals** that you map out for your business will reflect the courses of action that you have selected – which are in turn derived from your analysis of your business environment in general, as well as your competitive environment and your take on the strengths and weaknesses of your company. Following are examples of the

- Change business model and create new offer components to win specific target customer groups.
- Optimizing customer service quality so as to meet customers' desire for customer-friendly and convenient service.
- Upping your revenues by pricing of product features which specific target groups value as utility.

- Implementing rigorous sustainability management throughout the value creation chain.

A good way to help achieve your strategic goals is to formulate your **operational goals** as quantitative goals, as follows:

- Introduce a loyalty scheme and a preferred customer service line to address your prime and price insensitive customers – increase share of wallet for this customer segment by 15%.
- Design and create a product bundle to win 500 new customers to your customer base.
- Improve customer satisfaction by 5 percent by introducing an after-sales call 3 days after purchase.
- Defining at least three measures aimed at sustainability improvement in each link of the value chain.

Doing this will help you to define, refine, adjust and synchronize your strategic and operational goals via an interplay of top-down (i.e., promulgated by company management) and bottom-up (suggestions from employees or stakeholders) frameworks.

6.2.1 Setting goals

Goals are most likely to be achieved if they're stated in a clear and unambiguous fashion – and of course, if they're ambitious but attainable in the first place. In other words, your goals should meet the following "SMART" criteria. They should be:

- **S**pecific: they should clearly state what you're trying to achieve
- **M**easurable, i.e., you need to define your metrics and target values.
- **A**mbitious (and acceptable to all concerned), i.e., they should motivate those who will be on the front lines of implementation.
- **R**ealistic, i.e., they have to be attainable under real-world conditions.
- **T**imeframes must be specified.

There are two basic types of goals: quantitative and qualitative. The **quantitative** kind such as sales revenue and net earnings are (among others) the bread and butter of business management, in that documenting these elements is a statutory requirement – plus they lend themselves to quantification. Limiting a company's strategic goals to quantitative earnings targets (such as increasing annual net profits by 10 percent) is redolent of an outdated shareholder-centric approach, not sufficient for sustainability. Mindless or reflexive optimization of a company's bottom line can result in undesirable outcomes such as giving short shrift to crucial considerations such as workplace safety or environmental protection. Another serious problem with goals that focus on quantitative outcomes is that they invariably prioritize **short-term**, bottom line-oriented decisions. For instances can cheap energy offerings increase your profit whereas more expensive green energy provision is an investment to promote sustainability.

Example illustrating a predominantly quantitative shareholder-centric approach, from beverage company **Constellation Brands**' annual report.



In defining a framework for their strategic goals, businesses are increasingly focusing on **qualitative goals** (e.g., customer or employee satisfaction) for the simple reason that qualitative factors are reliable stepping-stones to achieving quantitative goals. Even contemplating a basic goal such as profitability reveals the complexity of the levers that come into play. Profits can stem from assiduous management of sales (by multiplying amounts sold by the prices charged) but also from reducing costs (both fixed and variable costs). Expanding the scope of your marketing activities through measures such as address-list purchasing, and mailings can help you to win new customers and thus improve your bottom line – although such measures will inevitably ramp up your costs by dint of the additional marketing expenditures. Although measures such as laying off members of your marketing team will save you money, you may also end up compromising customer satisfaction – which can in turn cut into your sales and profits. Thus, goals can have a reciprocally synergistic and strengthening effect, or can have no particular effect, or can be contradictory in when pursuing them jointly.

Synergistic goals	Neutral goals	Conflicting goals
Attaining a particular goal potentially has a positive knock-on effect on other goals	Attaining one goal has no interrelation to the other goal achievement	Achieving a particular goal potentially undermines achievement of other goals
• Quality optimization • Increased customer satisfaction	• Opening hours adapted to customer preferences • Taking-over a competitor	• Reduce sales head-count • Ramp up pre-sales' advice

Table 7: Goal compatibility

Experience has shown that strategies that focus on long term goals need a **goals portfolio** that addresses both quantitative and qualitative considerations and that is also implemented. Small business entrepreneurs might choose small business-specific goals or substitute possibly quantitative targets by action-based targets. **Market share**, for instance, commonly serves as a goal for large corporates. But even in case it's not really possible for small businesses to accurately quantify their market share or formulate the attendant quantitative goals, the market share that you and your team discern on a gut level can be highly instructive from an entrepreneurial standpoint. If, for example, you were to acquire prestigious restaurants or highly regarded wine merchants as customers and successfully market your wines to them, then the gut feeling that you've increased your market share would be a useful indicator of success in this arena. In other words, it's perfectly acceptable for you to gauge your

market share based on your personal impressions. Even though entrepreneurs often lack exact data on the relevant quantitative criteria, defining target values nevertheless can be a useful management tool, as it also enables you to measure how well you've done during a certain period. Measuring for example **personal satisfaction** illustrate a more entrepreneurial, small business approach, whose validity has been confirmed by empirical studies, has also proved its worth when it comes to assessing success, based on proprietary market research.

6.2.2 Managing the diversity of objectives and goals

Did you know that more than two thirds of all strategies are never implemented? Apparently, it's "easier said than done": formulating a strategy by thinking about the possible future and determining wishes is one thing, but laying the groundwork for actual implementation and the **implementation** per se can be daunting. A company needs to **synchronize all plans** and actions not loosing the strategic ambitions out of sight. Which in turn means that entrepreneurs and small businesses need to ensure that their enunciated strategies are in sync with reality, and that they constitute clearly formulated, concrete and realizable measures. Crucial though overarching value-based goals are for strategy development, you nonetheless also need to shed in-depth light on practical goals, without which organizational, financial, personnel and marketing-based implementation cannot go forward.

Planning phases	Main issues	Which decisions come into play?	Planning elements
Company long term future	What kind of company do we want to be?	Define main goals of overarching conditions	Vision, guiding principles, mission
Strategic planning	Where are we going to?	Decide on future turfs and revenue potentials	Strategic plans
Operational planning	What do we need to do to reach our goals?	Orchestrate the elements that augur success	Functional and action plans
Reactivity	How should we respond to problems?	Take remedial measures, with a view to staying on track	Evaluation of progress made and sensitivity analyses

Table 8: Goal-oriented planning methodology (adapted from IGC 2010)

Businesses are **social constructs** where leaders cannot adapt a programmatic approach, nor can it be treated like rocket science. For business administration to have any chance of success, all of its various moving parts need to intermesh and be tweaked on an ongoing basis – and in this process, you need to bear in mind that myriad social processes come into play that require you to assess the efficiency of your organization's activities. In such situations, you, the entrepreneur, become an orchestrator who, in the interest of ensuring that you reach your goals, identifies certain behavioural patterns from the interdependent nature of the structures, processes, systems, incentives and so on of your organization and your worker's needs.

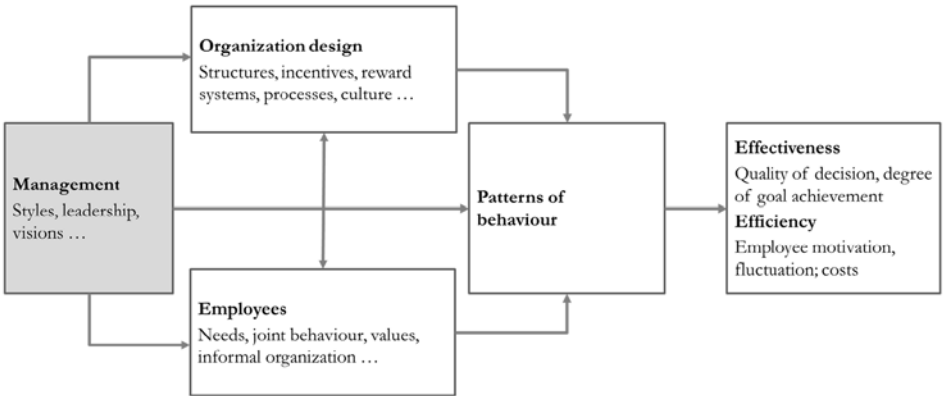


Figure 59: Crucial tasks of managing a business as a social system

The best way to fine-tune your strategic imperatives is to convert them into a roadmap with action plans. In the context of strategic implementation, **functional strategies** concerning matters such as price policies and financial strategies can be devised for business strategy implementation purposes. When doing this, it's best to adapt a harmonized and holistic approach to the management of overarching and operational goals via key performance indicators (KPIs).

Key Performance Indicators (KPI) define targets quantitatively and serve to measure achivements. Defining the prominent KPIs helps to reduce complexity, since dealing with a handful of KPIs makes it easier to manage performance. KPIs serve as operational guidelines that promote the achievement of strategic objectives. Call center operators for example track and visualize the calls received, customers waiting, waiting time and length of service calls. The degree to which these goals are reached is also communicated within the call centers themselves, since screens visible to all concerned indicate the number of callers currently on hold, as well as the average number of minutes per call. Same in factories, the extent to which production output, capacity utilization, idle time, or reduction of injuries have been achieved can also be shown via management control system KPIs.

Performance indicators should prompt managers to take relevant and meaningful measures. Since KPIs are normally expressed as ratios (e.g., ROI or return on investment) both the variable in the numerator (net operating profit) and in the denominator (invested capital) can promote the achievement of mandated goals. Given that only certain management variables are actual levers of business success, and some goals have a greater effect than others, it's advisable to plug these variables into a management control system that classifies all relevant goals in accordance with their key strategic purpose. A **balanced scorecard** (BSC) allows for the pursuit of a range of goals that can be complementary (e.g., increasing in sales and profits), inconsequential (e.g., quality of product versus opening hours of the store) or competitive (e.g., enhancing employee satisfaction while reducing personnel expenses). To generate a BSC, you need to define the principal administrative factors, document the goals in

question, and classify them with the relevant envisioned measures. Traditionally, BSCs encompass the four dimensions of business management, which are finances, customers, intra-organizational structures and processes, and employees.

Dimension	Goal	Metric	Concrete aim (of goal)	Measure
Finances	Profit increase	ROI	5% increase in ROI	Asset restructuring
Customers	Acquire new customers	Number of customers	300 new customers	Product bundling
Processes	Reduce energy use	Energy consumption	Reduce by 15% annually	Invest in insulation
Employees	Improve employee loyalty	Employee turnover	Reduce by 10%	Allow employees to work from home

Table 9: Examples of goals and KPIs in a BSC

KPIs and the BSCs upon which they are based can help achieve your goals, provided that they are conveyed effectively and are used to motivate your team. This can be achieved through incentives such as end of year bonuses – in which case operationalizing strategic objectives can help you to modify your employees' but also suppliers' or external partners' behaviour in the desired ways.



Figure 60: Goals as motivating factors and bedrock of management

6.2.3 Sustainability serving as strategic scorecard

Even if efforts to institute **sustainability** didn't have their origin in the business management literature, it turns out as a powerful management control system. Instead of the four elements of the balanced scorecard (finance, customers, processes, employees) that risked neglecting ecological and social concerns the three-pillar approach of economic, ecological and social goals fit a strategic framework for imple-

mentation. Sustainability with quantitative goals and measures for all three perspectives represents a balanced scorecard. In addition, implementing a management control system that centers largely around sustainability enables you to move away from an emphasis on quantitative growth and the attendant ecological and social harm that such an approach entails and aim for **qualitative growth** instead.

There currently exists no suitable all-purpose sustainability management control system for small businesses – which is not surprising, given how very different small businesses and the sectors thereof are from each other. What's more, efforts to affect an unbiased assessment of a company's sustainability are often derailed by the **complexity and lack of transparency** entailed by such efforts, as well as the fact that such assessments tend to change over time and the information conveyed may be tainted or skewed by the **vested interests of its purveyors**. One example to demonstrate how complicated exercising adequate management control can be is the **carbon footprint assessments** comparison of imported wines with local wines. The number of import logistics variables that come into play for such a management control effort depends on staggering distances; logistics; means of transport; types of packing; load weights; determining whether alternative transport methods such as shipping bulk wines for later bottling at their final destination, or shipping bottled wines is the better solution. Other concerns that arise in this regard: In calculating the carbon footprint of an import process, should the carbon emissions attributable to retail-product logistics and storage be counted? Should a comparison of direct purchase modalities be based on the extra distance entailed by the actual purchase, or should it be included in the envisaged transport route? Which distances, shipping methods, and vehicle types should be applied? When you start listing the myriad issues that come into play, the complexity of such an undertaking becomes painfully clear. The argument has been made that exporting does far less for sustainability than is the case with direct marketing. The logistics for wine producers entailed by the latter modality are less elaborate, plus any carbon footprints that might be generated by distribution are simply eliminated. Direct marketing also (a) gives producers a greater sales margin in that the middleman is eliminated; (b) promotes customer loyalty; and (c) may be an economic shot in the arm for local businesses, via tourism and the like. But on the other hand, if a customer drives their car to a winery solely to purchase a case of wine, the carbon footprint is considerable, whereas in a B2B wine transaction, only the proportional share of the carbon emissions is attributable to the wine per se. In the final analysis, however, the only effective way to reduce carbon emissions in such cases is for both the seller and customer to reach their own conclusions based on viable assumptions.

A visually based assessment of reaching defined KPIs in sustainability enables companies to determine how far they've progressed along the road to full sustainability. The selection criteria for the **sustainability KPIs** are relevance; measurability; innovation orientation; and practicality. These elements can be tracked in a spider diagrams. When comparing achievements with peers such an approach allows to identify ways to remedy any shortcomings in one`s sustainability efforts. As a result, it provides a suitable basis to talk about sustainability in interactions with customers.

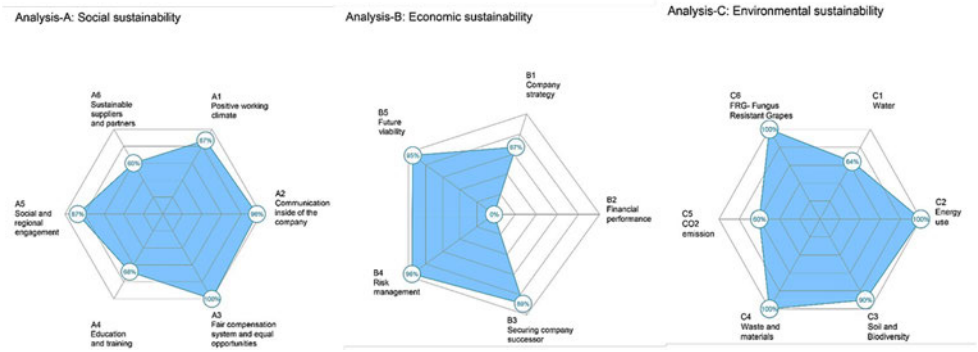


Figure 61: Sustainability via a tripartite scorecard (Dressler 2021)

Ethical considerations prompted Richard and Eva **Grünewald** to institute sustainability management of their winery. Already back in 2010 the Grünewalds elaborated a comprehensive sustainability report that they decided to make available to the public, hence also to customers. The report contains information about the winery's progress in achieving sustainability.

Challenge your strategies by asking yourself questions such as the following:

[1] Am I formulating and implementing my goals wisely?
[2] Do my strategies factor in both quantitative and qualitative goals?
[3] Which KPIs hold the keys to the success of my enterprise?
[4] Do my various goals complement or conflict with each other?
[5] Are my operational goals based on my strategic goals and in sync with my entrepreneurial mission statement?
[6] Do my goals align organizational design and behavioural patterns efficiently and effectively?
[7] Should I include them in a balanced scorecard?
[8] Am I using the communicated goals to motivate myself and my team?
[9] Are all goals tied to my sustainability ambitions?

6.3 Strategic positioning

When it comes to strategic positioning, the key considerations are how to profile in competitive markets. In light of the numerous factors determining a company´s profiling in the following, we start with the managerial framework of a generic strategy. We then explore how strategic grouping can depend on the entreprener´s traits and the concept of closeness or distance from peers.

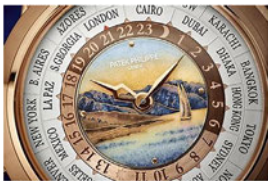
6.3.1 Generic strategies

A good starting point to positioning is to flesh out your generic strategies with the help of a matrix containing the two relevant decision-making factors – mainly defin-

ing your (a) competitive advantage and (b) market coverage to be defined by the following two basic questions:

- Do I want my company to stand out from the crowd by virtue of a special and superior offering or by being less costly?
- Are we limiting our reach to a niche market, or do we intend to serve the market as a whole?

Generic strategies revolve around the following: (1) cost leadership; (2) differentiation; and (3) focus. **Cost leaders** provide an outstanding duty to satisfy mass demand in that such companies – low-cost airlines being only one of many examples – do everything within their power to keep their prices as low as possible. In case of pursuit of **strategic differentiation,** the company´s products and services offer exceptional features, performance, designs and so – what makes them desirable or even unique (for example Patek Philip crafting mechanical watches with utmost complexities and precision – see picture). Companies that adopt a **focussing strategy** tailor offers to the core target group of a niche market – for example, sports watches that measure the wearer's pulse and indicate jogging routes via GPS. Niche strategies can be aimed at (a) a specific region (e.g., via on-site direct marketing); or (b) a specific target group (such as the elderly). Studies have shown that businesses achieve success not so much depending on which generic positioning is chosen, but a clear choice and rigorous implemention of a cohesive business model. Failing to clearly position your company in a generic strategic grouping can leave you in market positioning limbo of being "stuck in the middle" and potentially harm your bottom line.



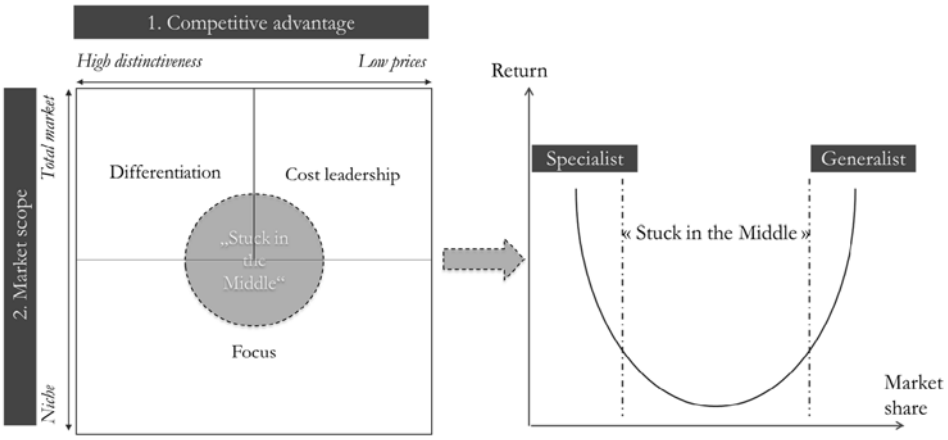


Figure 62: Generic strategies and market positioning

Generic strategies force companies to narrow-down options and focus on strategic activities. Cost leaders need to gain **market share** in order to reduce their unit costs by increasing capacity utilization – which in turn boosts their efficiency. But if a com-

pany wishes to stand out from the crowd (differentiation), then it needs to elaborate **unique selling propositions** (USPs) and make sure that these distinctive elements increase value for their customers. The more distinctive a company makes the performance and benefits of its offerings, the more the company's market image will improve. Niche strategies, on the other hand, are superior when meeting or even nurturing specific **needs and preferences** ("**perfect fit**") of defined target groups. It requires an in-depth understanding of these groups' and that such needs and preferences are not already being met by a competitors' products.

In the international wine industry, the French wine estates of **Domaine de la Romanée-Conti**, **Château Pétrus** and **Château Lafite-Rothschild** are famous for their premiumization strategies – and also have impeccable reputations in the four corners of the globe. Their wines are much sought-after collectibles that fetch high-end prices at wine auctions. A major factor in these companies' premiumization strategies is that their wines are limited by terroir and quantity. For a gourmet restaurant, having a Romanée-Conti wine on their wine list can boost their reputation, given that only around 6,000 bottles are produced annually for restaurants.

E. & J. Gallo Winery, a US-based family-owned winery, also sells its wines all over the world. Being the world's largest winery, Gallo has myriad brands, a lot of which are relatively inexpensive – thus making their wines accessible to wine consumers all over the world. Gallo wines sell for a fraction of the price of premium French winemakers. More recently, Gallo tries to reposition as premium wine producer: "E.&J. Gallo is dramatically increasing its footprint in luxury California wine. America's largest wine producer is buying Napa-based **Rombauer Vineyards**. The deal includes the Rombauer brand, three winery facilities, two tasting rooms and more than 700 acres of sustainably farmed vineyards in Carneros, Atlas Peak, St. Helena, Calistoga, Sonoma Valley, and the Sierra Foothills." (Worobiec 2023)

The German sparkling-wine producer **Rotkäppchen** is able to produce economy sparkling wines that offer uniform quality at low sales prices. The company compensates for the relatively small profit margin per bottle by producing upwards of 200 million bottles of wine annually.

Barefoot Wine, a California wine brand, is the world's top selling wine brand. Starting out as a "garage winery", early on they created wines for specific consumer groups. In the words of Barefoot co-founder Bonnie Harvey: "First of all we had a fun label. There weren't any fun labels when Barefoot first came out. We were also non-vintage. There weren't any non-vintage offerings on the market that were award winning like we were. We also designed the label specifically for a female buyer and that was really something that was."

Carl Jung Wines in the traditional wine Region Rheingau in Germany has been making nonalcoholic wines for well over a century, via a unique process originated by psychiatrist Carl Jung, described on the winery's website as follows: "Inspired by expeditions to the Himalayas, which reportedly used rapidly boiling water at extreme altitudes, [Dr. Jung] succeeded in 1907 with a ground-breaking invention. He developed the vacuum-extraction process. In this process, the alcohol is gently withdrawn from the wine at less than 30 degrees. With aroma recovery, the natural wine aromas are captured. Bouquet and taste are preserved." And this passage from the winery's homepage is essentially an encomium to niche consumers searching

for wine experience but no alcohol: "It's all about the flavor. Carl Jung has been making nonalcoholic wines for over one hundred and ten years because they're pretty darned good at it."

The niche strategy of **That Girl Wine Co.** is eloquently expressed in their main slogan: "Sweet, fun-loving, you. Just a girl, looking for a wine, asking it to taste good."

The surveys for the German winegrowing industry revealed (1) price-performance as key strategic ambition. This strategy seeks to attract customers and build customer loyalty via a stable price-performance ratio – certainly meeting German consumers´ price sensitivity but since fair prices are expected for all offerings such strategy risks to remain stuck in the middel. Following are (2) niche strategies, which are based on a higher level of value and beneficence for selected customer or market segments. They are becoming increasingly popular. The salient feature of the population claiming to position via (3) quality leadership in the competitive environment promises quality advantages. This strategy is also widely used, although its popularity is on the wane and in light of a generally very high level of product quality in the market differentiation thereon seems difficult. In a (4) premiumization strategy, top quality products are offered, with marketing activities following suit that aim to meet customer needs and expectations and convey a concomitant brand image. (5) Cost leaders, which mainly seek to streamline their processes and minimize their production cost with a view to offering competitive prices, make up only a fraction of German winemakers. Although all types of strategies are found in all types and sizes of German winegrowing industry businesses, distinctive features of one strategy or another are readily discernible, nonetheless. Wineries that produce wine from purchased grapes (as opposed to growing their own) are predominantly cost leaders. They are larger in size, which enables them to reduce unit costs. Winemaking cooperatives tend to either opt for cost leadership or price-performance strategy categories, where they can exploit their economies of scale. Niche strategies offer small, relatively new wineries the opportunity to position themselves in the highly competitive market. The profiles of companies that are run by a management team tend to feature their premiumization programs. One out of every two German premiumization wineries is either an organic or biodynamic operation, whereas only one in every four German wineries falls into the price-performance strategy category.

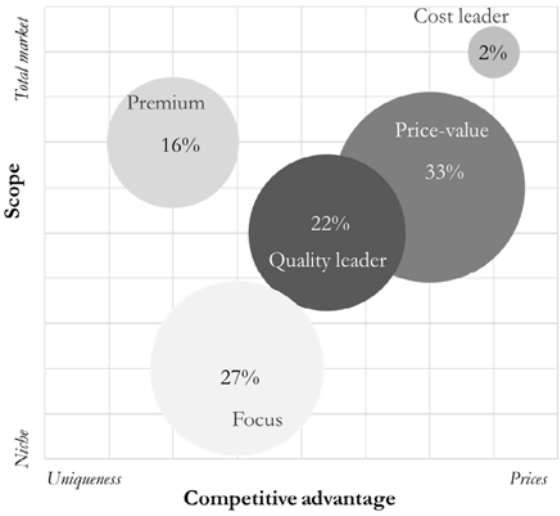


Figure 63: Competitive environment in the German winemaking sector (Dressler 2017a)

Overall, German winegrowers tend to be **product-/production-focused** since price-performance, quality leaders and premium winemakers strongly emphasize product quality in their value propositions`. Top-quality wines help to build brands and reputation. However, high quality tends to lose its market positioning potency in segments where quality is on the rise and excellence is the norm – which is why in order to robustly differentiate themselves from the competition and attract customers, German winemakers are increasingly seeking ways to palpably increase the value of their offerings. In order for a purveyor of premiumization to plausibly position themselves, not only the wine but all aspects of the offering and brand need to meet premium expectations. German winemakers' efforts to persuade customers of the outstanding quality of their products tend to center around prizes and premiumization, as well as PR with a marked quality orientation.

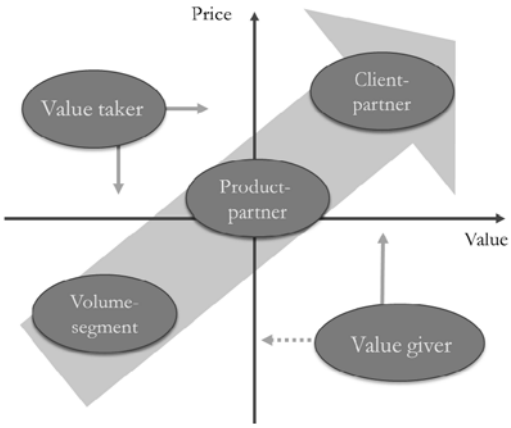


Figure 64: Interrelationships between price, quality and performancn

As one would expect, company profiling for generic competitor positioning determines the **price levels** of the players. German premium winemakers' strategic group is able to charge, on average, more than double the prices of their cost leader counterparts. This is no guarantee that the premiumization purveyors will enjoy higher profitability since the value creation of the premium offering will be more costly. Customers willing to pay more for premium winemakers' products expect such prices to go hand in hand with concomitant quality – for the product itself of course, but also in terms of the brand, customer service, product availability and so on. These supplementary elements constitute added expenditures for the winegrower so that higher prices will not necessarily translate into higher profits. All market players are expected to offer an attractive price-performance ratio. When it comes to budget prices, which according to the principle of price and demand tend to ramp up demand, consumers have lower quality, service and performance expectations (i.e., **product exchange focus**). Conversely, higher prices engender more exacting **partnering related expectations** on a top-drawer overall package than merely on product provisioning (i.e., partnering). In the long run, companies with an unrealistic or unfair price-quality ratio are being forced to institute remedial measures. If a vendor's prices are unduly high (**value taker**), they will need to either improve the quality of their product and the attendant frills (customer service and so on), or lower their prices, since non-competitively priced products will be driven out of their market segment sooner or later. Companies can intend to to gain market share and/or new customers by over delivering (**value-giver**). A risk that companies who foreground the price-performance aspect of their portfolio are likely to incur is that they may end up with a long-term or even perpetual commitment to so-called fair prices, with the attendant loss of profitability, quite daunting for companies in case of prevalence of price sensitivity – as given in the German wine market with price levels just double of Argentina.

Wine consumption market	Price (in euros)	Difference vis-à-vis Germany	Difference vis-à-vis Argentina
Singapore	18.67	373%	738%
Norway	14.34	287%	567%
USA	10.11	202%	400%
UK	8.20	164%	324%
France	7.00	140%	277%
Germany	5.00	100%	198%
Argentina	2.53	51%	100%

Table 10: Per-bottle prices for an average wine category (selected markets; numbeo.com)

Given the nature of the German winegrowing industry's competitive environment, where the main focus is on the product per se and a middle of the road approach, actors in this market need to be alert to even **minute changes** and mini trends in this environment, and **to revamp their positioning** in the interest of optimizing their profitability. Cost leaders care about changing in the market constituency having an impact on their market share (e.g., market liberalization). For niche market enterprises, changes in their clientele is a crucial factor, since target group orientation is such a key element of strategizing. Price-performance strategies tend to focus more on technological changes, since efficiency optimization plays a major part in how customers react to product prices. And as for premium winemakers, they tend to be most affected by climate change and increasing complexity. Each and every one of the factors and parameters mentioned above requires concomitant strategies and measures.

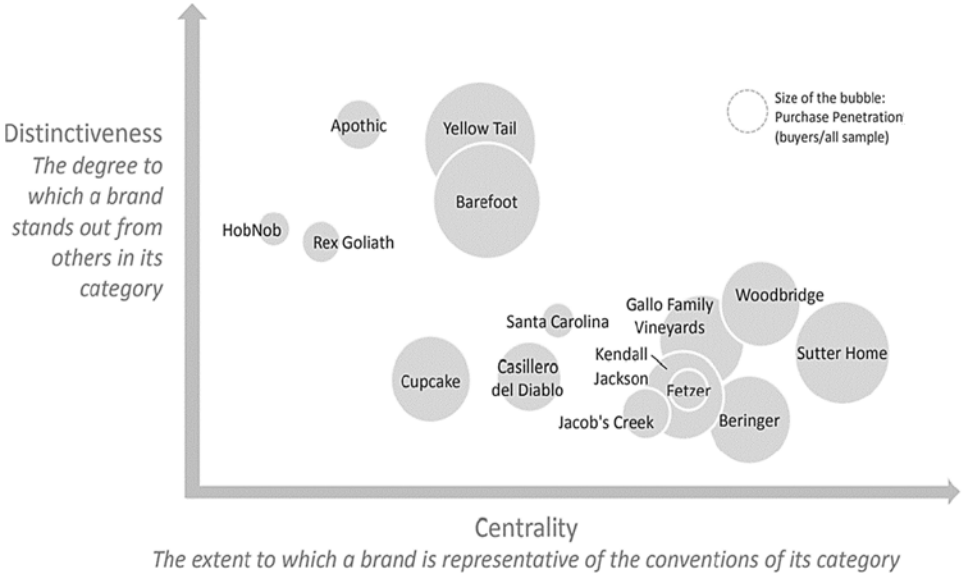


Figure 65: Brands, target customers and market penetration in the US wine market (Vinitrac 2016)

Planning ultimately boils down to a balancing act replete with unknowns, such as how customers will react to a company's product and service offerings. Ideally, this situation will prompt companies to (a) take a fresh look at their market positioning measures; (b) develop new business models; and/or (c) **adapt their portfolios to changed** (and changing) conditions.

6.3.2 Entrepreneurs and personalities as drivers of positioning

In fragmented industries, characterized by mainly small businesses that adopt an entrepreneurial approach to running them, the actors' **character traits** tend to be one of the most important drivers of strategy. The entrepreneur will be the driving force behind the company's profile. Thus, for example, for risk averse entrepreneurs, possible risks and threats to their enterprise will tend to loom large, whereas entrepreneurs of a more courageous mettle will tend to pooh-pooh adverse scenarios. The personality of a company's head will invariably also have a major impact on the company's business culture, goals and willingness to innovate and institute across the board sustainability. This theory, espoused more than a century ago by the German sociologist Max Weber (1864-1920), is the diametric opposite of a Joseph Schumpeter´s theory of socially rootless entrepreneurship (1883-1950). Personal character traits also come into play for entrepreneurship. A technically savvy entrepreneur is likely to make excellent headway when they delve for the first time into areas such as digitization and AI. Entrepreneurs who spend a lot of time on social media at home are likely to gain a rapid understanding of how social media could benefit their company. Entrepreneurs who love to travel will have a clearer picture of how to go about exporting their products. Entrepreneurs whose favorite pastime is playing (or watching) soccer, basketball or the like will have an easier time creating product portfolios that appeal to athletically minded customers. On the other hand, decision makers whose favorite pastime is listening to classical music or spending time in art museums are more likely to be running businesses that reach out to customers who are interested in such cultural pursuits. Indeed, these traits even manifest in brand positioning practices and matter when looking at customer reviews:

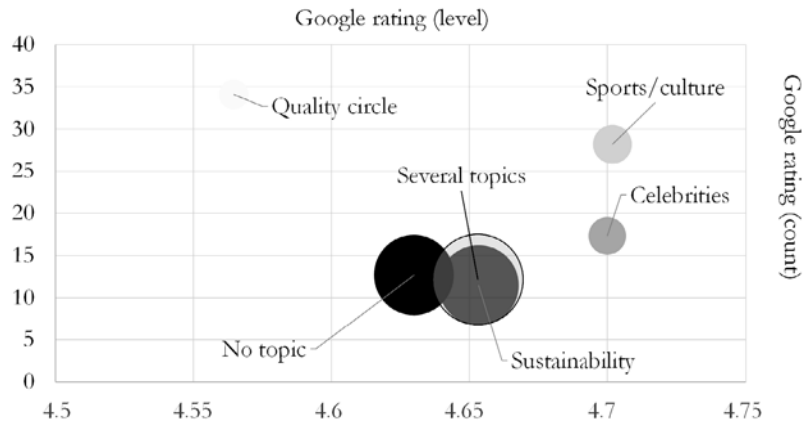


Figure 66: Market positioning and Google ratings (own research)

The effect of an entrepreneur's character traits on the market positioning of their company oftentimes has ramifications for the company's customer relationships as well as customer reviews. If market positioning that centers around exclusivity and quality control circles increases the number of positive online reviews a company's products receive, a brand that differentiates itself via an emphasis on sports and culture will also receive many positive reviews but due to emotional binding also higher rating levels. Sustainability serves as a legitimate branding criterion, and as an area that can promote larger numbers of reviews, especially positive ones. Such enhancements of your company's image will heighten its social media visibility, since the search term combinations pertaining to your company's activities will appear at the top of results lists. Diffuse positioning, on the other hand, will result in weaker consumer awareness of your brand on social media. What's more, customer reviews tend to focus on price in case of a lack of positioning, and needless to say, this is not in any company's best interests.

Just about every aspect of a small businesses is likely to be profoundly influenced by the personal values of its owner. The owner's personality becomes the company's de facto mission statement. The personalities of wine industry actors are inescapably present – for example, if you look at just about any winery website, you'll find many photos of the people who run the company. And if you've ever been to a winetasting at a winery (especially a small one), you very likely met the vintner and, and if it was a family-owned winery, members of the vintner's family. The advantage of a website mission statement that centers around the **people who have created and/or run** the winery is that it comes across as a living and breathing document that visitors to the site can readily identify with.

> The Austrian vintner and winery owner Leo **Hillinger** describes himself as a passionate and dedicated. His autobiography, "Konsequenz, Konsequent, Konsequenz" (Consequence, Consequent, Consequenz) and his calling-card lecture "from 0 to 100" embody Mr. Hillinger's extroverted entrepreneurial personality. Mr. Hillinger's dynamism and his visionary approach, which promises to deliver "more than wine," have yielded a sprawling winery, along with trendy wine boutiques and wine bars. Thanks to Mr. Hillinger's fantastic personality, he was able, in less than 30 years, to grow a modest retail wine outlet into a winery with an estimated brand value of €10 million.
>
> In the encomium delivered at the ceremony for a Wine Entrepreneur of the Year Award, the outstanding personality of the CEO Wilhelm Weil of the renowned German winery **Weingut Robert Weil** was described in these words: *"Vintner Wilhelm Weil has no equal as an innovator and an assiduous marketeer who has his finger on the pulse of the zeitgeist. Mr. Weil created one of the first brands in the German winegrowing industry. Not only has he created, from his great grandfather's winery, a veritable motherlode of the German winegrowing industry, he has also endowed Riesling wines with a brand-new image. It's hard to think of any other winery, besides Mr. Weils's, that is more deserving of being called world class."*

A desire to implement **comprehensive sustainability** and aiming high when it comes to sustainability management are qualities whose embodiment mainly hinges on the sustainability behavior of the relevant actors and their **personal values**. Some examples, among many others, of the kinds of values that profoundly affect a company's performance and success include attitudes toward the use of natural resources,

socioeconomic issues, and work-life balance. An intrinsic commitment to sustainability can be a boon to your company's image and reputation, as is shown by these examples that center around inclusive workplaces and food purchasing:

> CEO of the German winery **Weingut Sonnenberg**: *"I'd like to encourage all companies to make their workplaces as inclusive as possible. To do this, you need a positive work atmosphere and lively, proactive and open communication amongst all employees. As a family-owned business, we regard our staff consisting of employees, trainees and our children as a large extended family. And so the fact that some members of this family happen to be disabled is a perfect fit with our company philosophy."*
>
> For the **Galler** family, owners and operators of the eponymous German organic winery, living an ecologically sound lifestyle and running their business in the same fashion is a given. *"They buy their food from small local organic farmers. You can confirm this for yourself by simply opening their fridge!*"

6.3.3 Strategic balance: individualism vs. legitimization

Another important aspect of strategic positioning is known as strategic balance, which refers to the extent to which a company does or does not resemble its competitors – closeness or distance to the peers. Strategic balance also has major ramifications for a company's reputation. A company closely resembling its competitors can profit of a legitimizing effect, which also enhances the company's reputation. But if, on the other hand, a company accentuates to be far from the peers, aspects of differentiation from kindred enterprises can be emphasized to underline one company's unique selling propositions (USPs). As a rule, repute is conjured from the interplay of (a) a specific company's reputation - the **individual** brand - which can be managed via the company's entrepreneurial positioning, and the communication from which it arises; (b) the reputation engendered **collectively** by multiple providers. The "**Made in Germany**" merchandise label for **collective reputation**. In the early days of the industrial revolution, the British government mandated that if the lion's share of a product was of German origin, it had to bear the "Made in Germany" merchandise label – the goal being to brand German origin as o inferior quality, so that customers would be more likely to purchase British products. But the term "Made in Germany" developed into a very strong positive value-enhancing seal. German products, especially those classified as investment goods, are associated in consumers' minds with outstanding quality – and this in turn makes it possible for such products to be sold at above-average prices. Silicon Valley in California is connotated with innovation and startup mentality. Because consumers hold sparkling wines from the Champagne region of France in high regard, Champagne producers are able to charge relatively high prices. Origin can thereby be a strong brand lever to indicate uniqueness and quality (i.e., collective reputation) and to avoid competition (e.g., mustard from Dijon in France; black forest ham in Germany; hazelnut from Alba in Italy).

> *"One of our most loved products, as well as the absolute queen of our production, is the Tonda Gentile Tribolata. This hazelnut of Piedmontese origin has a delicate flavor and is easy to peel and calibrate. A raw material of excellence, certified IGP, a brand that guarantees the consumer the wholly Piedmontese origin and the high quality that derives from it.*" (**Porello** company website 2023)

As small businesses have limited resources and small marketing budgets, achieving

strategic balance by capitalizing on synergy with other companies, while still differentiating the company in order to enhance its visibility, is a reasonable strategy. Collective reputation is of particular importance to vintners owing to the intense competition engendered by a very crowded field, which makes building a strong brand a daunting task. In addition, customer purchase decisions often depend more on appellation than on brand. Winemakers can use awards in performance competitions to show their brands in a positive light and enhance their individual reputation, but they will play on famous local appellations or regional terroir to exploit collective reputation.

> A news citation serves to illustrate the danger from negative impact potentially stemming from collective reputation: "*The Saxonian winegrowers' association cannot rest easy. Even six months after the wine scandal became known, the matter is not off the table. The fact that only three of at least six wineries with contaminated wines are still publicly known unsettles consumers. ...*" *Georg Prinz zur Lippe, the operator of Saxony's largest private winery said: "In my opinion, horse and rider must be named clearly and completely in public. Only in this way could the general suspicion against all Saxon vintners be averted."* (Müller 2016)

Regional collective reputation can be illustrated by a price-quality assessment of regional appellations of German winegrowing. Wines of German regions such as Rheingau, Ahr, and Mosel enable winemakers from these regions to charge comparatively high prices in accordance with higher quality judgements. Apart from the historical strands of collective reputation, it is also shaped by joint marketing that aims to establish or consolidate regional branding and images.

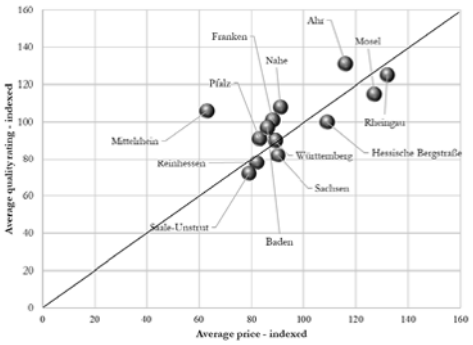


Figure 67: Collective reputation German wine regions (Dressler 2016c)

A wine's appellation is not the sole attribute that has an impact on collective reputation, for elements such as **type of business organization** are also significant. Wineries that are run by a **non-owner management team** successfully transmute their expected dynamism and professionalism into quality perception. **Public institutions owned** wineries follow in price-quality profiling and obviously profit of being as well disposed toward sustainability, as they are either nonprofits or are known for social engagement or longstanding tradition. **Family-owned wineries** are at par with the public-institution owned wineries with high appreciation of consumers to be able to meet the winery owner in presence. Winemaking **cooperatives**' strategies mainly revolve around price-performance and quality leadership, and they are struggling to exploit their strengths. The fact that winemaking

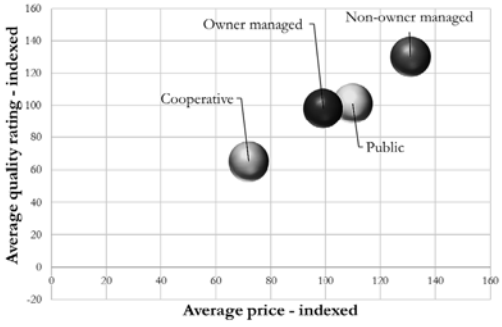


Figure 68: Collective reputation of ownership & organization

cooperatives have numerous winegrower members, each with its own agenda, jeopardizes to nullify the potential competitive advantage entailed by their size. This explains why cooperatives increasingly rebaptize themselves as wine producers, or via invented names, the goal being to differentiate themselves from their fellow members in the cooperative. From the standpoint of sustainability, however, winegrowing cooperatives can expect to score points with consumers, since the very term cooperative connotes a progressive approach (sharing economy) to sustainability as well as the economy. Strategic management is an invaluable tool for the organizations to get a handle on market positioning and the factors that affect reputation. Good examples of this include (a) South Tyrol, an Italian winegrowing region where winegrowing cooperatives have established themselves as premium winemakers; and (b) the French Champagne cooperative Jacquart, which is notable for its rapid growth.

> During a wine-tasting at **Kendall Jackson** in Sonoma California, the sales rep pointed out that one of the wines on offer was inspired and holds to the famous competitor's wine known as Opus One but was cheaper. This is an example of a sales pitch that gloms onto the brand image of a competitor, since Opus One's wines are pricey with a reputed history as a joint venture of the wine celebreties Robert Mondavi and Baron Rothschild. If you invoke the premium wines of a provider with a similar strategic orientation, you will be lending credence to your own quality claims and will heighten acceptance of the attendant higher prices.

If you want to get your organization out of the collective reputation rut, you might want to consider emphasizing the attributes of your company that most differentiate it from competitors that are pursuing generic strategies similar to your own, or whose collective reputation strongly resembles your own. To this end, it's best to draw attention to the uniqueness of your market and brand positioning, as this will highlight for consumers and partners the differences between you and the competition; and this in turn might well winnow out at least some of your competitors. That said, pursuing strategies that draw attention to your similarity to companies similar in nature to yours can help establish or embellish your organization's bona fides, as the case may be. And if your positioning refers, whether directly or indirectly, to other companies of excellent repute, then you have good reason to expect that their good name will benefit your market and brand image.

> The German winery **Chat Sauvage** was founded in 2000 in the Rheingau winegrowing region. The winery's marketing claim to the effect that they produce exceptional wines, together with the relatively high prices of their wines, underline that the winery is pursuing a generic strategy as a premium provider. However, in the interest of differentiating themselves, the winery decided to focus on Chardonnay-grape white wines, as well as red wines, instead of Riesling, which has traditionally been the region's most prevalent grape variety, accounting for more than 80 percent of the region's vineyard surface.

Strategic balance tends to come most to the fore in a company's **communications**. France's Bordeaux wine region is an excellent example of market positioning those centers around brand legitimization. The labels on bottles of Bordeaux wine unanimously rely heavily on the venerable reputation attached to the famous Bordeaux chateaux labels (white label, golden latters, a drawing of the building …), in order to profit of the positioning of the great crus of Bordeaux. The usual raison d'être of such

a legitimization strategy is to let it be known, in a stylish and elegant fashion, that a given product offers both premium and outstanding quality.

A dominant positioning "close to competition" as illustrated alongside with a predominance of price-performance strategies, is characteristic of market positioning of more fragmented and small-business characteristic industry structures. Emphasizing similarity to competitors is a mean to reduce risks. However, given (a) that the competition all industries and sectors is getting tougher all the time; and (b) the increase in customer churn, when it comes to attracting customers, entrepreneurs would do well to place greater emphasis on personalized customer service and the distinctive attributes of their products. Indeed, legitimization can constrict their sphere of action and reduce the flexibility needed for changing market environments.

> The following excerpt from a German winegrowing industry magazine about German vintner **Juliane Eller** centers around special attributes and differentiation: "*This young vintner was determined to do a lot of things differently. Radically differently. A young woman who was sick and tired of her parents' ultra conservative clientele. Particularly since Ms. Eller was well aware of the pitfalls entailed by this purportedly reliable income stream.*" (Brinkhoff 2021)

Achieving market visibility can be daunting for small businesses but is of crucial importance. If you're operating a small business, your strategic positioning vis-à-vis the competition needs to answer the following questions:

[1] Do you want to try to cover the entirety of your market, or should you instead focus on regional or target group-oriented niche markets?

[2] Who exactly are the active competitors in your market, and which competitive advantages can you leverage on? These advantages might include the following: unique products; offering attractive prices by instituting process cost efficiency; a utility that competitors cannot deliver.

[3] In light of the above, which generic strategies should you be focusing on? (Cost leadership; quality leadership; premiumization strategies; niche strategies; price performance strategies).

[4] Is there a danger that your strategic positioning might result in your brand being lost in the shuffle (i.e. stuck in the middle)?

[5] Does your price positioning reflect your strategic positioning vis-à-vis the competition?

[6] Would it be useful for you to try to benefit from collective reputation – or would you be better off not doing so since you feel restricted?

[7] Is your entrepreneurial positioning in sync with your personality? Is there anything you can do to enhance this positioning via your personal attitudes, interests and values?

[8] Does the positioning you're trying to attain factor in the changes that are taking place in your internal and external business environments?

[9] Which environmental changes can you benefit from via the strategic positioning you've decided to pursue – and which changes might have undesirable effects for you?

6.4 Sustainability as a strategic guiding principle

Ideally, sustainability should be a guiding principle for the ethical aspects of entrepreneurship. Reflecting on sustainability and basing entrepreneur activities offers the potential to generate new business models as well as to reposition strategies. Sustainability strategies can have a number of **economic benefits** (e.g., reducing resource use for ecological reasons, which helps to cut costs), but also (and especially) can improve a company's **reputation** and add value to its **brands** what according to a study by Berns et al in 2009 turned out to be key driver for sustainability then. The following chapters explore sustainability in light of strategic grouping.

6.4.1 Sustainability and generic strategic grouping

Sustainability is compatible with all generic strategies. Sustainability can go a long way toward differentiating your company. Keeping existing customers and attracting new ones count as keys to durable success, especially in low-growth markets, and sustainability can potentially be the decisive lever to attract clients. Consumer demand for sustainable products and practices are bound to become ever more strident. Shoppers increasingly purchase sustainably manufactured (or grown) products and indicate that they are willing to pay more for such products as well. Retail and supermarket chains are starting to decide their product range on sustainability – which means it's no flash in the pan, but rather a concern that's here to stay. Sustainability can also give a leg up to conquer niche markets, for example a target segment called **LOHAS** (Life of Health and Sustainability). LOHAS are epicureans with a lifestyle that emphasizes personal health and wellbeing. They wish to live their hedonistic ambitions without harming the environment. Being affluent, they can afford this kind of lifestyle and don't mind paying high prices for sustainable products. Sustainability plays a dominant strategic role in premium strategies, in large measure owing to the growing importance of LOHAS consumers. The discernible impact of sustainability on pricing, particularly for price-performance strategies and quality leadership, supports the concept that sustainability carries considerable weight when it comes to justifying the price of a given product. In addition, younger consumers have in recent years been manifesting tremendous interest in sustainability and making their purchase decisions, accordingly, as can be seen in the international Fridays for Future movement.

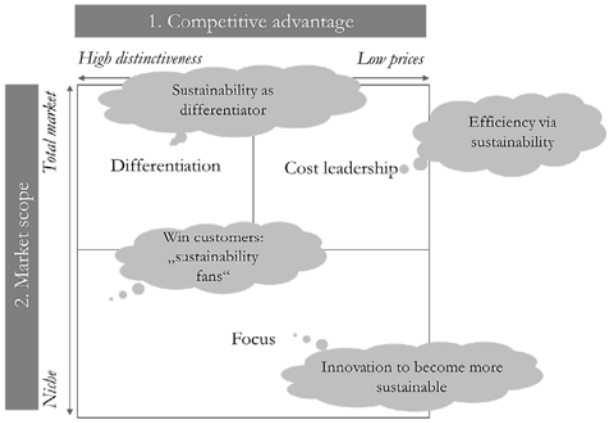


Figure 69: Sustainability: leveraging generic strategies

Cost leaders profit of sustaibility-driven efforts to reduce resource consumption or risk minimization when avoiding low-cost but socially not acceptable sourcing. For

cost leaders, proactively adhering to the tenets of sustainability helps create value by (a) avoiding costs that would otherwise be incurred; and (b) improving efficiency through judicious and responsible resource use. Cost leaders that embed sustainability in their day-to-day operations also avoid the risk of customer churn resulting from the company's falling short on the sustainability front what at the end would jeopardize their strategic aim since cost-leaders need to strive for high market-share and sales to reduce their per-item costs.

Indeed, for the German wine industry the generic strategic groupings show specific patterns for strategic sustainability management. In the case of niche suppliers, the equal weighting of the three sustainability dimensions is striking. Niche suppliers furthermore outperform the other strategic groupings in their assigned importance to ecological as well as social sustainability. All other strategic clusters put more relative emphasis on the economic dimension. Among other aspects visualized by the chart, cost leaders attach less importance to sustainability - especially with regard to the social dimension. For niche and premium suppliers, sustainability demonstrates to be of above-average strategic relevance. For these protagonists sustainability is a vehicle to attract new and less-price sensivite consumers, so that especially premium providers profit on the economic pillar. For the generic groupings of quality leadership and price-performance strategy, the sustainability characteristics resemble across the three sustainability dimensions. The suveys disclose for the two strategic groups that sustainability can motivate innovation. Quality leaders and price-performance providers communicate that sustainable behavior enhances the pricing and sales policy of the wine estate hence sustainability serving to increase the economic performance.

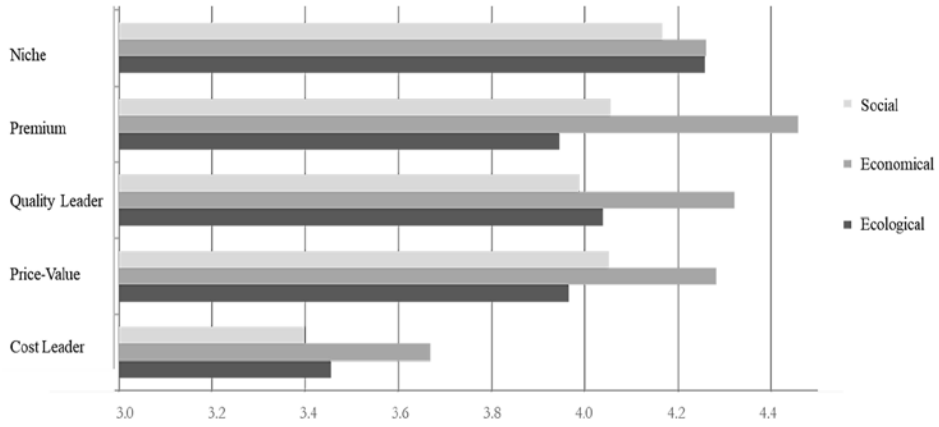


Figure 70: Generic strategies and sustainability in the German wine industry (survey results)

6.4.2 Transformation: striving for sustainable entrepreneurship

A heightened focus on sustainability can motivate small business entrepreneurs to adopt a **more strategic approach** to everything they do and at the same time create a strategic firewall. The three pillars of sustainability powerfully combine market-oriented measures that promote financial success (by entering new markets, actively reducing and managing risk, and identifying areas ripe for innovation) with social issues (making your company's strategies compatible with the needs of society at

large; working conditions; your appeal, as an employer, to prospective employees) and ecological concerns (minimizing your carbon footprint).

For "**purpose companies**" sustainability is inextricably bound up with everything they do and with how they see themselves. Such companies regard their raison d'être and dedicate their value creation to the sole purpose of improving the environment and society.

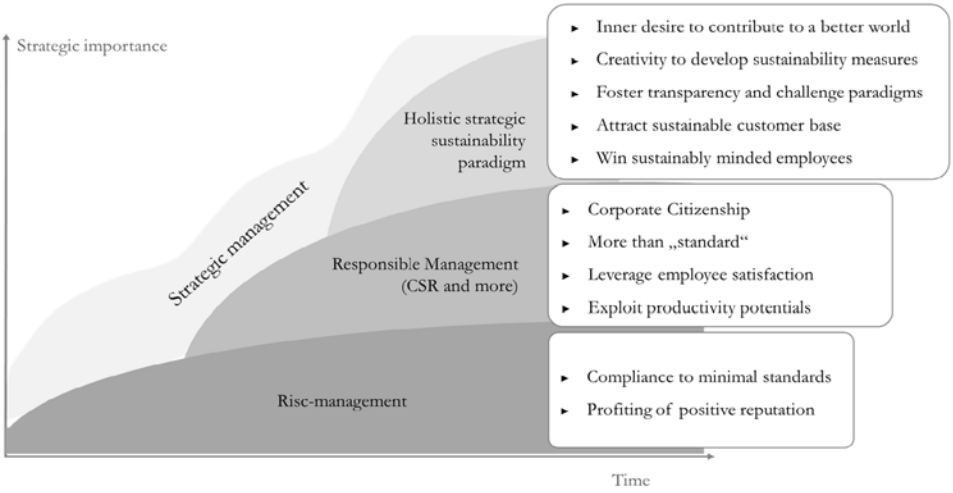


Figure 71: Sustainable evolution in business

Strategic sustainability can be regarded as an **evolutionary progress**. Initially, sustainability was mainly regarded as a risk avoidance tool – for example by minimizing the negative impact of blowback if a company's exploitation of workers in low wage economies comes to light. This risk avoidance orientation was then expanded to profit of eventual positive effects on reputation and thereby nurturing corporate social responsibility and the attendant task of complementary-actor management. A holistic sustainability strategy is predicated on the principle that sustainability is the key driver of added value when it comes to shaping a company's future. Growth, attracting customers, reducing costs and all other measures are motivated by efforts to achieve across the board sustainability.

> *"We are Germany's first carbon-neutral winery,"* says German winery **Alfons Hormuth**, *"which then goes on to enumerate the myriad measures it has taken in order to achieve this admirable and highly differentiating positioning: green electricity; proprietary PV installations; energy storage facilities; use of organic fertilizers only; returnable wine bottles (with deposit); electric vehicles for short distances."* The company also to their sustainability certification.

Sustainability profiling can promote positioning in the market, because sustainability is becoming an increasingly important issue for today's consumers. In markets where competition is particularly tough, sustainability is poised to become a key component of strategizing for all companies, as this is the only sure-fire way to ensure a company's longevity nowadays.

When it comes to gauging the potential lever of sustainability in light of a strategic balance (being similar or dissimilar to the peers), we recapitulate the evolution of eco-

friendly business management. Early practitioners of this paradigm, especially in organic farming, strove to differentiate themselves from the competition, but as the acceptance (and consumption) of organic products became more widespread, so did the legitimization of eco-friendly business management and the companies that adopted this approach. At a later stage, players switched their business to organic production in order to skim the price-premium for eco-friendly products and they increased the offer variety for organic products. This holds true in particular for the agricultural and food processing sectors but applies to all other industries as well. The embrace of eco-friendly business management in the winegrowing industry illustrates the great importance of strategic balance and the related strategic business growth and development potential. At first, idealists, pursuing an alternative eco-friendly lifestyle proceeded to embody their conviction into organic winegrowing. Followers were motivated by price premium and incentives to switch to organic farming. Alongside a growing awareness of ecology in society at large and consumers' growing awareness that eco-friendly wine can meet or even exceed the quality standards of conventionally produced wines, it began to dawn on other winegrowers that eco-friendliness serves as a benefit and requires adequate positioning, prompting them to seek strategic legitimization by switching to organic winegrowing.

> The German organic winegrower **Weingut Galler** has made its natural and organic winegrowing processes the centerpiece of its branding. The company steers clear of conventional quality pyramids by giving its wines fanciful, exotic first names (in German) such as Heinrich, Feodora and Kunigunde – plus the fact that the winery cultivates new grape varieties shows that it's serious about differentiating itself.
>
> The transformational nature of organic farming from a strategic diffusion perspective is ably expressed in this excerpt article about the German winery **Weingut Zähringer**: *"Pioneers back then, but nowadays fully setting the trend. This is a winery dedicated to working hand in hand with Mother Nature, not against or in spite of her. Making a go of producing organic wine takes time, a large dollop of idealism, and last but not least customers who appreciate your craft. A trend that's totally in fashion nowadays was regarded 30 years ago as being kind of insane, even by wine connoisseurs."*
>
> German vintner **Richard Schmidt** also faced challenges when he began producing organic wines: *"If the village of Eichstetten was a pioneer when it came to organic farming for crops such as vegetables, the first few years were really tough, nonetheless. Even in this ostensibly eco-friendly community being an organic vintner wasn't easy. But a few years later, when people realized that our wines offered superior quality, things got easier, and we were accepted."*

Nowadays, eco-friendly positioning can be realized via three different strategy clusters. The first is based on a **profound personal commitment** on the part of entrepreneurs to eco-friendly governance. The target groups of these companies are, as one would expect, consumers who regard pursuing eco-friendly goals as important to themselves personally, they buy organic products. Companies who adopt this stance are well positioned to charge extra for their eco-friendly practices. The second cluster consists of premium wineries who regard eco-friendly business management as **crucial for implementation of their terroir and quality strategies**. These providers

do not highlight their adherence to the principles of eco-friendly business management, because for them, this paradigm is part and parcel of a holistic approach to nature-based terroir specific viticulture, which such providers wish to convey in a plausible fashion. The above average prices charged by these providers for their wines are accepted by consumers not because of their eco-friendly business management, but rather as a result of their successfully implemented quality and premium strategies. The third cluster embraces the concept of eco-friendly business management in order to **exploit opportunities** (e.g., government subsidies, support for converting to organic farming, more attractive price positioning), thus enabling them to home in on specific market segments – a strategy that makes sense given the widespread use of similar positioning in the winegrowing industry. Thus, embracing trends such as sustainability, regionality, and eco-friendliness enables companies to differentiate themselves via innovative product lines, which can go a long way toward ensuring long term success.

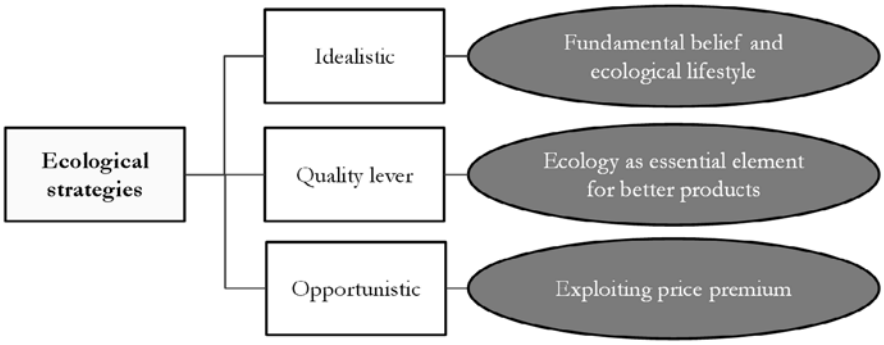


Figure 72: Strategic approaches to eco-friendly positioning

By the same token, sustainability is a concept that can go the strategic-balance distance, from a differentiation-oriented startup phase all the way through to across-the-board legitimization. Indeed, the surveys allowed to identify a strategic sustainability positioning by the framework of innovation diffusion and classified pioneers, focussed and opportunistic players:

Motivator & engagement	Sustainability cluster	
Strategic anchor	Ecopreneur / Bioneer	Sustainable entrepreneurship
Focussed element	Customer centric niche	Social consciousness
Reduced basic engagement	KPI-driven	Market opportunism

Figure 73: Strategic sustainability typology (Dressler & Paunovic 2019)

In case of sustainable entrepreneurship, sustainability is extensively covered and robustly embedded in these companies' business models. The pioneering clusters known

as ecopreneurs and bioneers strongly emphasize ecological sustainability, although the latter place greater emphasis on ecology per se, as well as on improving winery value creation, and risk and innovation management. Two of the sustainability clusters that place particular importance either on social causes or on innovation are named as customer-centric sustainability advocates (customer-centric variables predominate) and social consciousness (socioeconomic issues predominate). We identified two additional types of business models that regard sustainability as mainly of economic interest. One type is called KPI-driven because it places such importance on the quantitative and economic dimensions of sustainability, while the second was called market-opportunistic, by virtue of it being a mixture of qualitative, quantitative and market-oriented values. If these groups still see some relevance to the concept and practice of sustainability per se, they pursue this paradigm less holistically than do the other typologies and use their sustainability related PR and other communication modalities mainly to justify themselves.

The typology comprising multiple strategic sustainability approaches points to a **shift from product-centric business models to holistic entrepreneurship**, for which sustainability takes pride of place. Here, the growing tendency to embrace strategic sustainability is becoming a lever of organizational implementation of sustainability and the attendant shifts in management practices. This evolution is leading to the development of sustainability management skills and a growing mastery of the complexity of sustainable business management, in response to the wishes and desires of various complementary actors for social change.

> **Entrecanales Domecq e Hijos** has been honoured with the title of Spain's leading sustainable food and beverage company: Renowned for its unwavering commitment to sustainability, Entrecanales Domecq e Hijos has emerged as a trailblazer in the Spanish wine industry. During his acceptance speech, CEO Gonzalo Entrecanales emphasised the company's inherent commitment to sustainability: “As a company with sustainability deeply ingrained in its DNA, we should uphold our dedication to excellence, environmental responsibility, societal impact, and ethical business practices. We also aim to educate consumers about the significance of considering these factors when making any purchase.” The independent panel of judges responsible for evaluating the Forbes - Credit Suisse Sustainability Awards were not only impressed by Entrecanales Domecq e Hijos' past achievements but also recognised the company's forward-thinking Sustainability Plan. This comprehensive strategy outlines 100 specific actions that will be implemented between 2023 and 2027, covering crucial areas such as environmental initiatives, social practices, and corporate governance. The panel highly regarded this plan as a testament to the company's ongoing commitment to sustainability and its determination to create a positive impact in multiple spheres.

6.4.3 Performance impact of strategic governance and sustainability

Every measure you take serves the aim of achieving sustainability, since the sum total of all activities helps sustainable transformation. What's more, when entrepreneurs adapt this approach, the measures taken set a good example, and motivate customers, partners and the competition to integrate sustainability more robustly into their activities. Small businesses can readily implement sustainability across the entire value chain by setting suitable goals, based on the three pillars of sustainability and the 17 goals for sustainable development. The survey insights into sustainability in the German winegrowing industry show how vital it is for businesses to make an unwavering commitment to sustainability, based on concrete measures. More engaged wineries showed better performance:

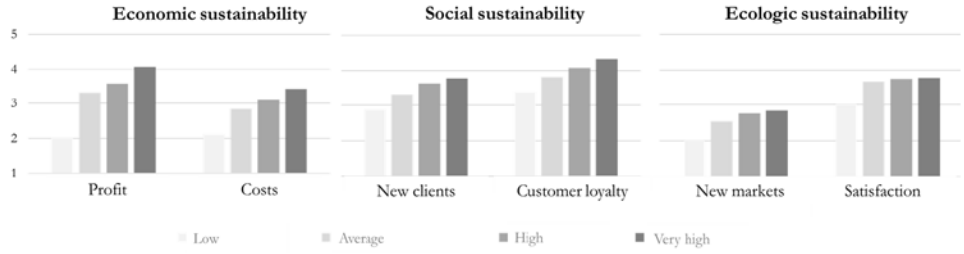


Figure 74: Sustainability measures vs. performance (research results)

A stronger emphasis on economic sustainability correlates with higher earnings and lower expenses. When it comes to doing business in a socially responsible fashion, there is a greater correlation between customer centric success factors. The greater a company's success, the greater the number of resources they tend to earmark for social sustainability. For winemakers, which are at the mercy of the whims of nature and have a ringside seat on the effects of climate change, ecological sustainability is absolutely essential when it comes to ensuring the longevity of their companies. Plus, ecologic sustainability is gratifying on winning new customers and personal satisfaction of the winery owners.

Operating a business in accordance with the tenets of sustainability is a **complex** undertaking, because doing so means tweaking your own value chain activities and business model and implementing the requisite optimization measures. The strategies you decide to pursue in implementing sustainability management will have a make-or-break effect on the outcome of these efforts. A good example of how off the rails such an undertaking can go is provided by Britisch Petroleum (BP), which positioned itself as a very model of sustainability, only to provoke an environmental and industrial disaster of gargantuan proportions.

> In April 2020, a **BP** oil drilling platform called Deepwater Horizon began leaking oil into the Gulf of Mexico. Shortly before this occurred, the company had been vaunted in financial circles for its exemplary sustainability practices. The $21 billion in damages that BP was ordered to pay graphically reflects the scale of this catastrophe – which also made a mockery of the strategic measures BP had previously implemented in positioning itself as a sustainability company.

An action plan that centers around (a) **scope and depth** of commitment to sustainability; and (b) **communication** robustness, divides a commitment to sustainability into four segments. Ignorance of sustainability seems like a no go for value-based strategies. Communicating high engagement but a neglect of actual fulfillment seems risky. It mkes a company vulnerable to criticism, which can seriously harm reputation and result in customers deserting in droves. Such a scenario comes into play in cases where measures supposed to be ecologically beneficially turned out to be environmentally harmful. When a customer purchases an organic product, they presume that "organically produced" on the label unequivocally means that the product is completely organic and eco-friendly in every respect. This holds true as well for other dimensions of sustainability. For instance, a corporation's on-site caretaking of employee´s childen is, on the face of it, a socially progressive measure. But if the company opted for this measure mainly to extend its employees' working hours by an unreasonable extent, then the day care center cannot be said to be an example of sustainability at all. If you make a conscious decision to pursue sustainability and in so doing give pride of place to the values embodied by such a pursuit, it is vital that in implementing this goal, you make every effort to set an impeccable example that will past muster. In short: define your ambition vis-à-vis sustainability, create a portfolio of reliable measures and activities and then communicate your strategic sustainability profiling.

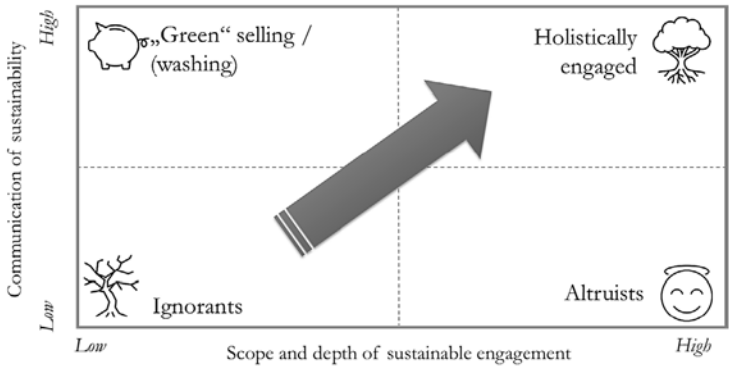


Figure 75: Sustainability positioning

Sustainability should be anchored in all businesses´ strategies to minimize environmental harm to our planet and to secure existence for future generations. As an entrepreneur, if you want your sustainability strategies (a) to become a living and breathing part of your business culture; and (b) to be viewed as plausible by outsiders, it's vital that you imbue these strategies with your personal values. Reflecting on your take on the following questions may be helpful in this regard.

[1] My sustainability aims are being driven by which of my personal and entrepreneurial values?

[2] Are we doing a terrific job in certain areas of sustainability, by dint of activities that can be readily communicated to the outside world?

[3] Do we focus solely on certain aspects of sustainability? Of the three pillar of sustainability (economic, ecological, social) which do I prioritize?

[4] Or are we positioning ourselves as an across-the-board pioneer of sustainability?

[5] Are our sustainability goals clearly articulated in our mission statement? Do our activities reflect the whole gamut of the themes touched upon in our mission statement?

[6] How can I make a concrete contribution to expanding the scope of my ecological sustainability by means of my internal processes and those aimed at my customer segments and markets?

[7] Are my goals for social sustainability being communicated to all complementary actors, and embodied by my company's culture and values?

[8] Am I adequately leveraging my sustainability activities so as to achieve more effective communication with the outside world and position my company in the relevant markets?

[9] Is my communication with outsiders concerning myself and my company's activities authentic, forthright, and consistent?

[10] In what ways am I leaving myself open to criticism and/or attack on account of possible excessive or unrealistic sustainability goals? What measures can I take to avoid or deflect such criticism?

6.5 Innovation as a strategic lever

Innovation is about newness in business, enterprises, and societies and is regarded as driver of socioeconomic progress by creating solutions but often creating needs that are stilled simultaneously.

Innovation is the invention, development or introduction of something new. Innovation can be expressed in the product, service, offering, process, organization, technology, mindset, or societal introduction.

If a company launches a new product, practice or the like that is already standard in its industry, this does not count as an innovation per se. The scope of a given innovation can be said to be either **radical** or **incremental**. In a radical innovation, a technological breakthrough will often render existing technologies obsolete, an obvious example of this being the personal computer, which was the death knell for the typewriter. The term creative destruction was coined by the Austrian economist Joseph Schumpeter to describe a process through which something new brings about the demise of whatever existed before.

6.5.1 Pioneering or following?

In business, innovation can have different reach: a new product or new process technology; a company's organizational structure; or any other unprecedented initiative

for a company's business model. Innovation can thereby predominantly be customer/market oriented or internally/process oriented.

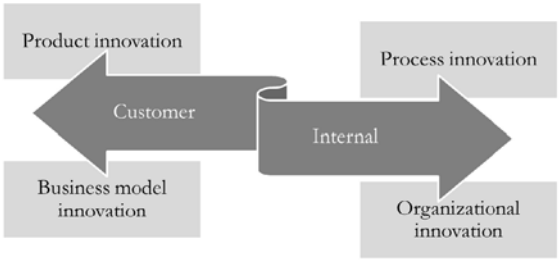


Figure 76: Dimensions of innovation

The relevance of innovation and being a powerful lever of strategy and a key to business success is undisputed. Hence it comes as no surprise that our empirical analyses of strategies and innovation in the winegrowing industry reveal that motivation, innovation and success are correlates of each other. Aiming higher can be a boon to innovation management. If you pursue a customer-oriented innovation strategy, you are more likely to differentiate yourself, strengthen the loyalty of your existing customers, and gain new customers – all of which bring into play the main levers of growth. Efficiency via innovative in-company processes improve your standing in price sensitive market segments and reduce your costs. Innovations also help to improve your bottom line, and enhanced process efficiency can pave the way to the capital investments you need in order to win new customers.

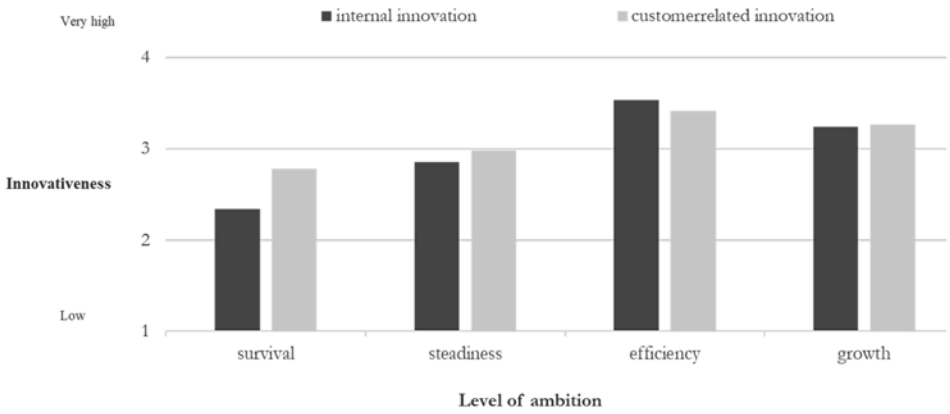


Figure 77: Goal-setting levels and innovativeness (1=low; 5=very high) in the German industry (survey results)

In the business management literature, innovation is seen as crucial to contending with a turbulent – and therefore complex – business environment. Innovation is both the **driver of change** and a mission-critical **tool for coping** with it. Small businesses need to innovate strategically in light of **restricted resources**. Bearing in mind the cost benefit ratio their innovation management needs to be tailored to its context and should be subject to frequent reassessment, since new solutions tend to make previous innovations the prevailing standard and bandwaggoning bears the risk of spoiling effectiveness. Innovation management that's a good fit with a company's positioning can be a powerful driver of success. As for cost leaders, they mainly focus on intra-organizational innovations, whereas niche market providers tend to be pacesetters for customer-oriented innovation. Premium providers demonstrate their mettle through

innovative products and optimized processes, and regard service innovation as a potential development opportunity. Empirical analyses have shown that highly focused innovation management can improve a company's chances of achieving success. The findings of other studies that innovation can have a negative short-term impact on a small business's liquidity and financial structure is borne out by observations in the winegrowing industry. Entrepreneurship requires creative and agile management practices, so as to ensure that market and other pressures that prompt a company to innovate or make other changes result in creative measures that make optimum use of the available resources.

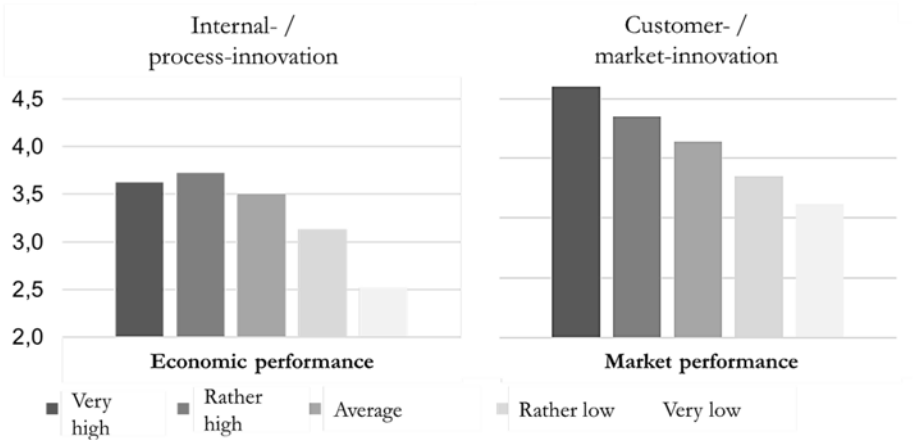


Figure 78: Innovation measures and their effect on business success (1= very low; 5= very high performance) in the German industry (survey results)

The diffusion of innovations theory is a hypothesis outlining how new technological and other advancements spread throughout societies and cultures, from introduction to widespread adoption. The main protagonists in regard to diffusion of innovation (classification applys for supply (i.e., producers) and consumption (i.e., customers)) are as follows:

- **Innovators**: People who are open to risks and the first to try new ideas.
- **Early adopters**: People who are interested in trying new technologies and establishing their utility in society.
- **Early majority**: Those who pave the way for use of an innovation within mainstream society and are part of the general population.
- **Late majority**: Another part of the general population—the set of people who follow the early majority into adopting the innovation as part of their daily life.
- **Laggards**: People who lag the general population in adopting innovative products and new ideas. This is primarily because they are risk-averse and set in their ways of doing things. Eventually, the sweep of an innovation through mainstream society makes it impossible for them to conduct their daily life (and work) without it. As a result, they are forced to begin using it.

German winegrowers state intentionally high degree of innovativeness with more than 50% claiming to be pioneers or early adopters. The level of innovation can be explained by the fact that each year new wines are produced (equally observed for the food in-

dustry) and vintners are forced to cope with often unpleasant surprises from the weather – all of which requires considerable flexibility and openness to change.

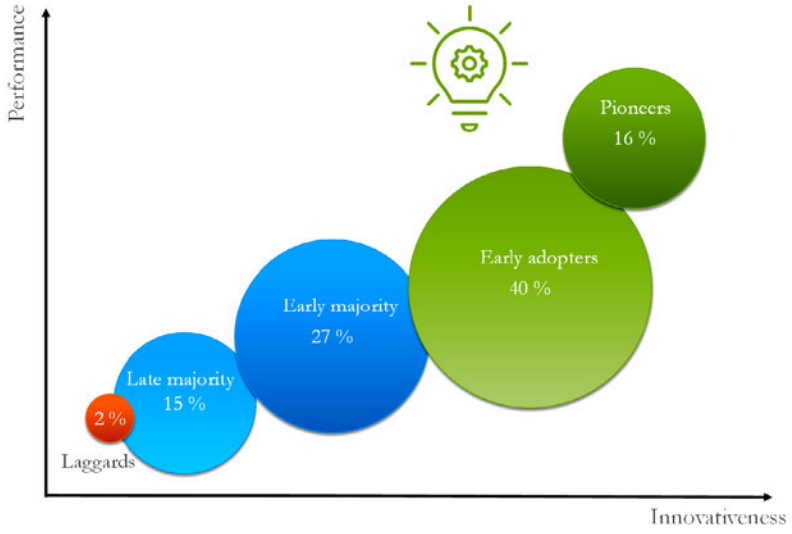


Figure 79: German vintners' attitude towards innovation (survey results)

Small businesses owners are significant source for innovation, but small businesses are also forced to imitate. But because the resources of small businesses tend to be limited, their readiness to innovate and plans for future growth require principled strategizing. Which is why both creativity and/or knowing when to forego an option may be called for. Creative thinking, pushed by lack of resources, often lays the groundwork for the elaboration of new, potentially successful products.


THE ART OF THE GRAPEVINE

It all began in Bordeaux, in the heart of the vines at Château Smith Haut Lafitte, the estate belonging to Mathilde's parents. Caudalie is a unique story of love, nature, passion, chance encounters and a sense of adventure!

We met professor Joseph Vercauteren, laboratory director of the Pharmacy University of Bordeaux, during the harvest at Château Smith Haut Lafitte. He told us that grape seeds contain the most powerful antioxidants in the world. We have been working with him ever since

Two years after this encounter, we launched our first 3 products, containing grape seed polyphenols (which still exist today!). At just 23 years old, we packed our bags and set out to show pharmacists across France our creations. Impressed with the effectiveness of our products, we were given our first shot of success - And there, Caudalie truely began ...

During the 1993 wine harvest for the renowned **Château Smith Haut Lafitte** Bordeaux wine, the vintners hit upon the idea of making cosmetics from grape seeds. Motivated by the question in regard to wine grape seed and pomace "... do you know that you are throwing away real treasures?" Mathilde Thomas, daughter of the Chateau owner, developed beauty products using the antioxidants in grape seeds. Caudalie, the resulting brand of natural cosmetics and skin-care products is now marketed worldwide and is notable for its innovative, sustainable and emotive orientation.

SME entrepreneurs often resort to bricolage – a neologism (and loan word from French) that means the construction or creation of a work from a diverse range of elements that happen to be available. Thus, do technologization and digitization allow for the devising of new solutions.

Digitization helps small businesses to innovate – a fact attested to by the German winery **Weingut Hörner**: *"Here too, we're breaking new ground. Here is one of our innovations: 3D printed flypaper to fight against cherry fruit flies. From CAD design to the finished product, all done right here at the winery."*



6.5.2 Sustainability – a mainspring of innovation

For many entrepreneurial startups, finding solutions to sustainability is their raison d'être. Hence innovative solutions do best in the presence of rapidly growing demand, which tends to engender increasing demand for sustainability and solutions that will deliver it reliably.

Hemant Chawla found a path to sustainability through edible cutlery. At a festival in his native India, Mr. Chawla was given a piece of bread to use as a utensil, as no cutlery was available. This gave Mr. Chawla the idea to make cutlery out of bread dough and created his startup **Kulero** – an innovation that helps to reduce plastic waste. *"Kulero is the Esperanto word for spoon. The tagline for our products is, 'Use me, clean me' – and so the user generates no waste at all."*



The surveys for the German wine industry underline that increasing entrepreneurial attention towards sustainability correlates with innovativeness also in mature industries:

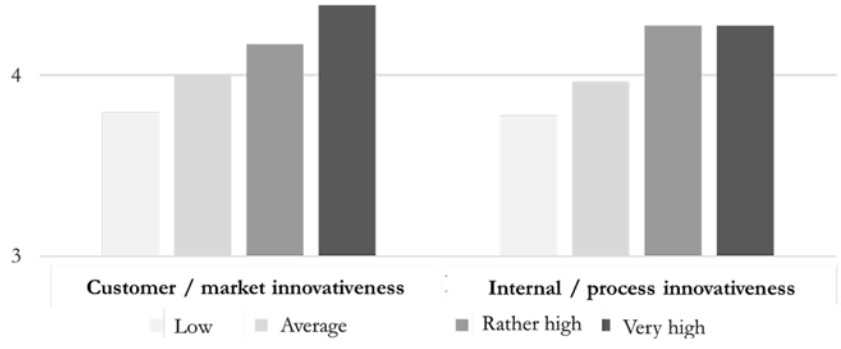


Figure 80: Importance of sustainability innovativeness (1= very low; 5= very high) (survey results)

Innovation is needed to reduce environmental pollution. Electric mobility illustrates innovation-driven transformation, but innovative power generation has to safeguard low emission. In the wine business, advanced technologies such as drones allow for targeted application of pesticides, without harming the soil by heavy tool spraying. Thin-walled wine bottles help to reduce energy consumption, as does the recycling of glass bottles. Fungus-resistant grapes constitute an innovative measure of far-reaching strategic significance for winegrowing sustainability management. Grape varietals determine both wine characteristics and economic parameters. Varietals with high yields but less need for care potentially offer higher profits, if prices for the grapes and wine are attractive. Breeding grapes for certain properties, such as resistance to crop diseases (e.g., fungus-resistant grapevines) reduces the number of pesticide treatments. Apart from genome-based robustness, other sought-after grapevine attributes include upright growth and grape looseness, both of which lower susceptibility to rot, enhance flexibility via a longer harvest window, and promote stable yields. These neew breeds help winegrowers to mitigate the impact of climate change.

However, the key challenge is **translating innovation into solutions** accepted and sought-for by customers. The mentioned sustainability friendly grape varieties are thus far only planted on about 2 percent of German vineyard surface, the opportunity to realize eco-friendly winegrowing isn't the main reason why German vintners decide for or against cultivating new grape varieties. Instead, the primary consideration is the strategic dimensions of sustainability and the innovativeness that does or does not come into play. Innovative winegrowers regard the use of new grape varieties as an opportunity to improve their image, to differentiate, and at the same time increase their profits. But buyers are reluctant because they are not familiar with the grape varietals, hence more traditionally oriented market players are reluctant besides all obvious advantages.

Eschewing consumption and/or property ownership with a view to supporting sustainability can also be an impetus for innovation, as is shown by the concept of the **sharing economy**, which aims to reduce consumption and resource use. Strategic rejiggering of car producers shifting from car sales to mobility services such as car sharing is a prime example of the immense power of innovation. **Resource constraints** can also spur innovation, particularly for organizations for which sustainability is a guiding principle. If you're aiming to reduce your organization's resource use, then you might want to consider ways to repurpose or recycle waste. This approach is referred to as the circular economy.

> The main aim of the **circular economy** is to avoid generating waste. To this end, all products should, at the end of their service life, be reused or repurposed in their entirety – an aim based on the precept that valuable substances can be created from waste.

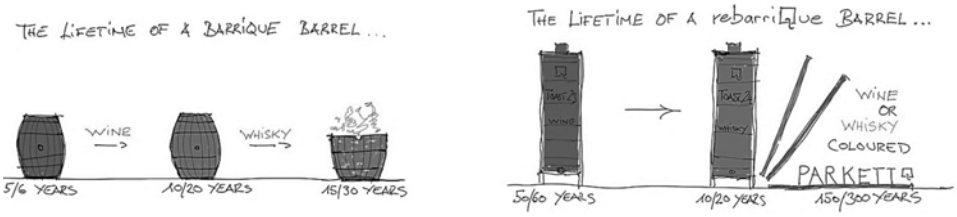
> Every beer brewing entity, from John Q. Home Brewer to Heineken all engender the same inconvenient outcome – namely mountains of wheat. Extracting the flavors that make beer tasty from the malt and other types of wheat generates a powdery byproduct rich in protein and fiber, normally used as animal feed or ending

up in landfills. However, scientists have discovered a new way to extract the protein and fiber elements from beer brewing byproducts and use the extracted material as the basis for innovative sources of protein, bioenergy substances and the like.

RebenGlut is a German company that makes charcoal from vine branches that are recycled from vineyards – a perfect example of the circular economy in that a waste product is fully repurposed.

Innovation and mass production can potentially play against the concept of sustainability. The downside of innovative and mass-produced products is that sometimes their service life is unduly brief; and inasmuch as such products cannot be made without the use of resources, they result in more waste than would have been the case if their service life were longer.

The German-Austrian cabinet maker Michael Thonet (1796-1871) opened his first cabinetmaking workshop in 1819, at the tender age of 22. **Thonet** is famous for having discovered bentwood, which he accomplished by extensively experimenting with wooden slats, until he hit upon the idea of bending the wood in a bath of hot lime. Thonet got the idea from shipbuilding, and the bar stool thus created became wildly popular worldwide, on the strength of its lightness, elegance, robustness and affordability. This concept – visionary at the time – was awarded a sustainability prize, for its timelessness, durability, innovative materials use, resource-efficient packaging and recyclability.



A German startup known as **rebarrique** came up with a sustainable innovation involving diassemblable square reusable wine barrels (barriques), which were awarded a sustainability prize and that the company hopes will revolutionize conventional winemaking methods. *"In mass producing round oak barrels and barriques, how do you reduce carbon emissions in an effective and sustainable fashion, and what can vintners and consumers do to further this goal? rebarriQues are genuine reusable receptacles. They greatly reduce the number of trees that have to be cut down to make the barrels, depending on retoast and refilling frequency."*

Developing innovation strategies that are a good fit with your company can help you to capitalize on entrepreneurial opportunities that might arise and is a sine qua non for a commitment to sustainability that will ensure an environmentally viable planet for future generations. The following questions are designed to get you thinking about these matters.

[1] How do I want to position myself in connection with innovation? Do I want to be a driver of innovation? Be regarded as innovative? Wait until the results of the first market tests are in? Launch innovations in my company after adequate testing of all risks?

[2] How would I rate the innovativeness of my company? Does it reflect my underlying innovation related goals, along with my skills and abilities?

[3] Am I able to develop proprietary innovations on an intra-organizational level?

[4] How can I determine how much headway I'm making on the innovation front? To do this, which innovation related elements do I need to keep an eye on in my own market?

[5] In which of my value creating measures am I exceeding my innovation goals, and in which am I falling short of them? Which measures can help me to improve my innovativeness?

[6] To what degree are my innovation strategies furthering my overall entrepreneurial goals? Do they fit my strategic grouping?

[7] Which innovative sustainability measures am I in a position to implement or develop?

[8] Are my innovations compliant to sustainability ambitions? Are my innovations beneficial to me, my company, my stakeholders, my business environment or the environment in general? Are there any (potential) downsides?

6.6 Strategic roadmaps and growth

In the field of economics, economic **growth** is regarded as highly desirable, for a number of reasons. For one thing, it creates jobs and raises the general standard of living, plus it is regarded as vital for a prosperous society. In this same vein, the economist John Maynard Keynes observed that economic growth frees humanity from making preservation of the species its highest goal. This holds true for businesses as well. Tesla's market capitalization is greater than GM's, despite the fact that (a) Tesla's total production amounts to only a fraction of GM's; (b) the company has been operating in the red for years, to the tune of multi-million-dollar losses *daily*. So why, you ask, this elevated market capitalization? Well, the answer is: it's the *prospect* of growth that drives Tesla's stock price upward.

Population growth increases the number of potential consumers, and the resulting hike in purchasing power (and thus consumption) can trigger economic growth. **Government initiatives** can also promote economic growth, through programs such as economic stimulus packages, subsidies, grants and direct investments. Economic growth is measured looking at the timely development of a country´s **gross domestic product** (GDP), i.e., the sum total of all goods and serviced produced. Economic growth may also motivate foreign companies to increase their sales via exports, granting licenses to manufacturers in high-growth economies, or direct investments in such economies. Market attractiveness is not only spurred by economic growth, but also by the industries in question. Mature industries are less dynamic than young ones that fill but also create new needs and thereby are growing. Thriving industries

such as robotics, computer apps, and electric bikes, enjoy annual growth rates upwards of 15 percent. In addition to market attractiveness company development and returns depend on the strategic business management.

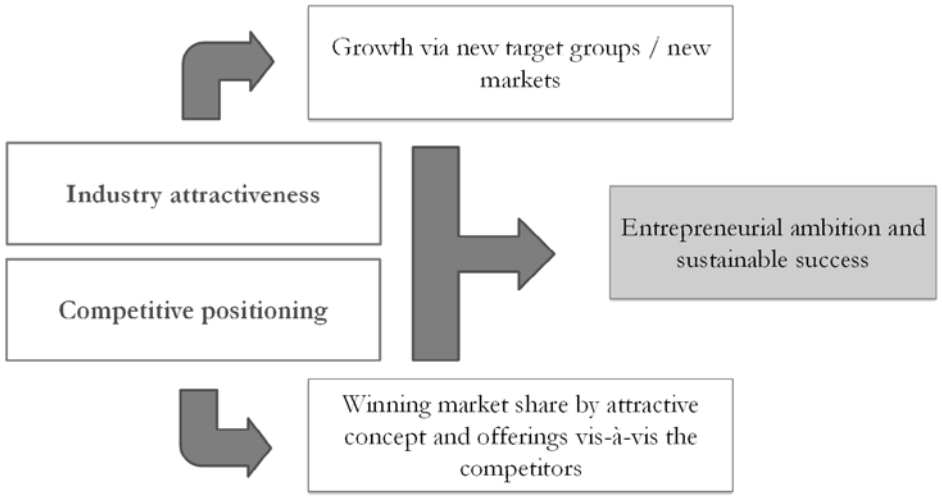


Figure 81: Drivers of lasting economic success (adapted from Besanko et al 2009)

6.6.1 "Reaching for the stars" as drivers of success

What drives the success of companies that experience robust growth? For small businesses, research concluded that a well-trained workforce, **setting goals aimed at expanding a company's regional reach**, innovation strategies, and company size are of utmost importance (Zimmermann 2017). In industries characterized by lack of dynamic growth and intensive rivalry, one`s business growth necessitates to increase market share at the expense of competitors. However, as the survey of German winergrowers in a non-growing market environment unveils, growth determination and ambitions beyond pure survival characterize entrepreneurship.

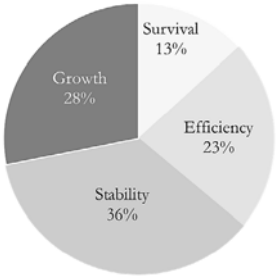
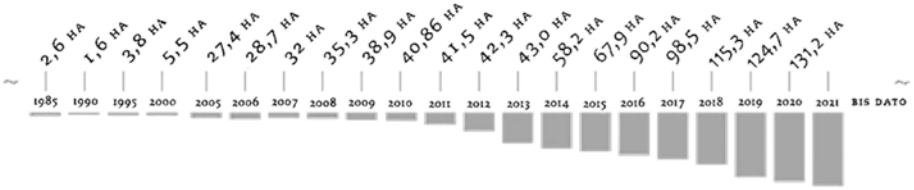


Figure 82: Level of ambition (survey results)

In line with these observations, entrepreneurial German winegrowers driven by grow desire, show above average performance. Goals whose main purpose is to merely keep a company afloat have a constraining effect. Aiming high can engender strategic success and improved price acceptance, as well as long-term higher profits. Business growth is a source of personal satisfaction for entrepreneurs and serves as an impetus for further achievement. And especially in the long term, the positive effects of growing companies in the form of an attractive positioning and rising brand awareness allow gaining new customers and to safeguard against customer churn. The positive impact of growth-eager wineries on breaking into new markets is of high relevance, given the currently daunting nature of the German wine market. Entrepreneurs though have to acknowledge that growth activities will impact the cost basis – a phenomenon

attributable to the fact that growth requires capital investment. With almost one third of the interviewed population of wine estates aiming to grow, less ambitious players need to strategize in order to defend their market.

The German winery **Weingut Leitz** report three decades of growth on their website.



6.6.2 Life cycle impact on strategy

A company's **life cycle** consists of, first, its founding, followed by two key phases: growth and establishing itself as a going concern. Following phases are survival and at the end of the life cycle a company closure. The strategic and operational paths that a company decides to take will be largely influenced by the stage it has reached in its life cycle. Business startups mainly focus on the following: developing viable business models; strategy development; suppositions and hypotheses evolving as the result of advances in knowledge; attracting stakeholders for the venture (i.e., investors, employees, customers). Companies that are expanding tend to enlarge their business models with a view to generating growth. Well established companies may decide to streamline their operations with a view to enhancing their profitability – especially in situations that call for restructuring aimed at keeping the company healthy. But if, on the other hand, a new management team takes over or a company changes hands, the strategic focus will be on revitalizing the company or taking it in a new direction. When a company goes out of business, activities will center around selling off the company's assets. If the reins of a company are handed over to new owners, or to the younger generation in a family-owned business, the prospects for survival may be good. In the absence of such prospects, or if the company founders financially, the company will be dissolved or liquidated, bringing its life cycle to an end.

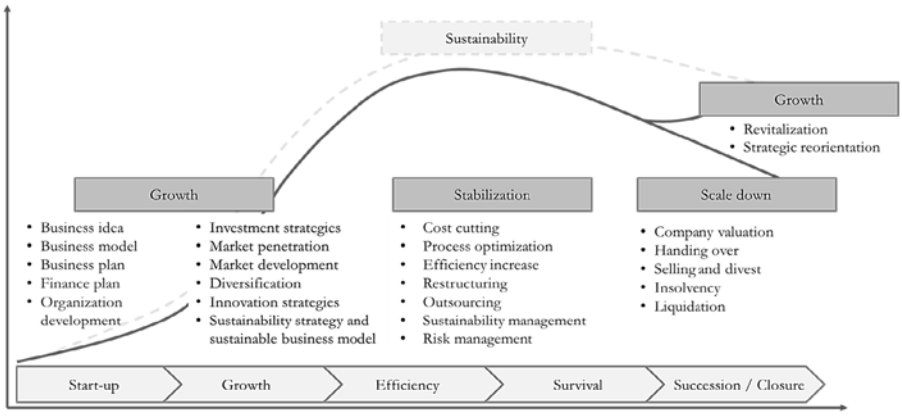


Figure 83: Strategic emphasis dependent on company life cycle

In devising strategic goals, it's advisable to take into consideration the life cycle status of the according industry (stable? growing? shrinking?) and the life cycle of the main products. A common tool for long-term strategic planning, to help a business consider growth opportunities from a portfolio perspective of an enterprise, is the so-called BCG matrix (Henderson, 2006), The tool uses market development (i.e., life-cycle perspective) as one dimension for strategic investment decisions, and the other dimension is market share in reference to Profit Impact of Market Strategy (PIMS) studies.

Profit Impact of Market Strategy (**PIMS**) uses empirical data to determine which business strategies make the difference between success and failure. The insights serve to develop strategies for resource allocation and marketing. Claiming that the developed system covers with about 40 success factors about 80% of profit variability, the most important strategic metrics are market share, product quality, investment intensity and service quality. The PIMS project began at General Electric in the mid-1960s, later conducted at Harvard University to then taken over by a Massachusetts-based nonprofit organization The Strategic Planning Institute (SPI).

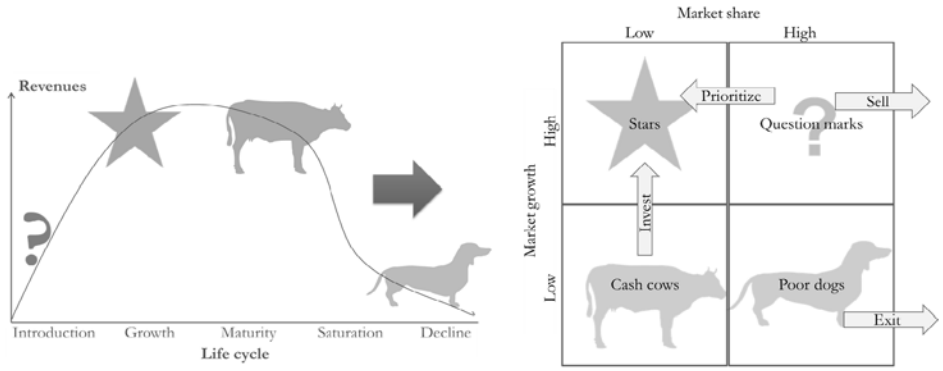


Figure 84: Company portfolio and investment strategies (adapted from Henderson 2006)

The matrix's investment or divestment recommendations are indicated with pictograms, as follows:

- *Stars:* it is advisable to invest in the sector because of attractive growth and a strong market position of the company in question.
- *Cash cows:* in light of a sizeable market share but lack of growth returns should be invested in other higher-growth activities.
- *Question marks:* a relatively small market share but positive outlook for growth raises the dilemma whether one should invest in the area of activity so as to improve its market position or withdraw.
- *Poor dogs:* given a weak market position and dim prospects for growth it seems advisable to divest and use the proceeds to invest in the *stars* or *question marks* areas.

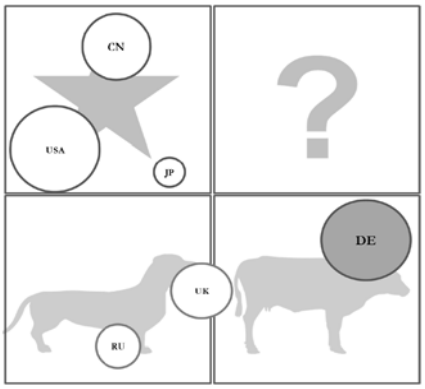


Figure 85: Wine market portfolio and investment strategies (adapted from Cogea 2014)

Applying the portfolio matrix to the wine markets USA and Canada are declared to be stars, with high market growth. The German wine market is declared as a cash cow: its stable market entails reasonably good prospects for well established companies, but for investments such as mergers and acquisitions, the matrix rates dynamic markets as better bets.

However, the advent of **new technologies** or applications can inject new life into these stages, or on the other hand, result in their premature demise. The auto industry is hoping that the advent of electric cars will revitalize its bottom line.

By acquiring **Freixenet**, the leading producer of cava (Spanish sparkling wine), the German sparkling wine maker **Henkell** demonstrated that in the winegrowing industry, market share can be a significant strategic lever and goal. This is borne out by the wording of the header of the press release announcing the acquisition: "Henkell is now the world's leading producer of sparkling wine".

In their ambition to gain market share, **Gallo** acquired most of **Constellation Brands** and would have swallowed the company whole if the move hadn't been vetoed by antitrust officials.

The beer and sparkling wine industries show that taking life cycle factors into consideration is useful for strategically driven innovations. In both sectors, sales are rising for non-alcoholic beverages. Sales of non-alcoholic beer have almost tripled since 2007 and now account for nearly 7 percent of beer market share. Providers in these industries can potentially benefit from by new and innovative product concepts to compensate for market-characteristic diminishing sales.

Sustainability also comes into play for industry life cycles. Shortly before the 2011 Fukushima nuclear disaster, Germany's nuclear power industry had been operating on the assumption, based on successful negotiations concerning extending the lifetime of its nuclear reactors, that the industry would remain in existence for the foreseeable future. However, these hopes were dashed by the German government's decision (motivated by both political and sustainability considerations) to shut down the country's nuclear power plants right after the Fukushima catastrophe, thus bringing the life cycle of this industry to an abrupt end. Other factors can also have a major impact on the life cycles of both products and companies, including measures aimed at (a) stemming the tide of climate change; (b) reducing carbon emissions; (c) ending wasteful resource use; and (d) reducing waste. A circular economy (increasingly mandated) forces manufacturers to shoulder more of the responsibility for the products they put on the market (e.g., by requiring them to take back end of life products) and is a threat to existing business models – but also provides the impetus for innovations and business startups.

6.6.3 Growth paths: product-markets matrix

A matrix with four fields schematizes the growth options according to Ansoff. Growth in the market already served with existing products requires greater market penetration. However, new markets can be served with the existing product portfolio. Expanding the offering with new, innovative products can enable growth in the existing market as new or different customer needs are met. When a business tackles new markets with new products, it is called diversification. Any expansion of entrepreneurial activities also increases risk, especially when entering new operational territory.

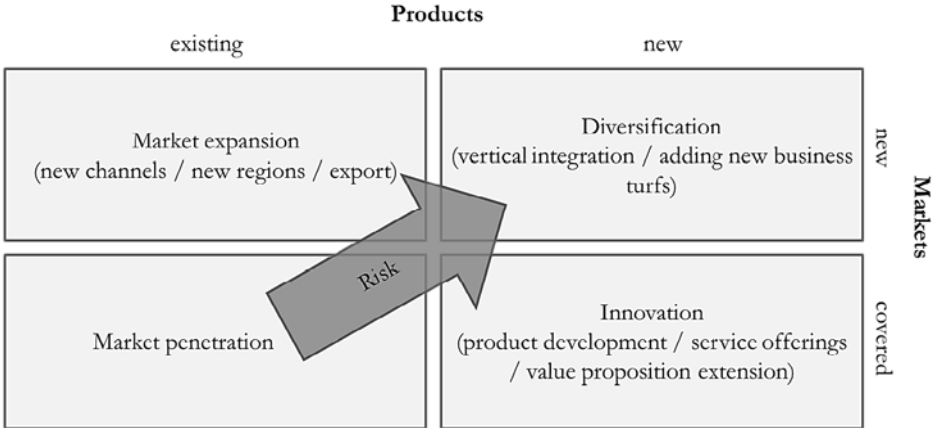


Figure 86: The Product/Market Growth Options Matrix (adapted from Ansoff)

Many companies seek to achieve growth by increasing their **market penetration**, i.e., increasing sales of the existing products into an already conquered market. In highly competitive markets with pervasive stagnation, penetration necessitates to reduce the market share of the competitors and to try to force competitors out of the market. This type of growth requires marketing investments, winning strategies, clear-cut profiling, outstanding marketing concepts, eventually the acquisition of competitors and can be realized by price concessions. A company merely demonstrating the superior quality of its products is simply not enough to increase market share.

Growth can also be realized by **product development** and introducing new products or services in already served markets. Such a growth path can be a result of investements in research & development (R&D). Pharmaceutical companies for example constantly try to develop new remedies to substitute their blockbusters after years of patented monopoly. Growth via new products builds upon proactive and entrepreneurial innovation management and can potentially lead to exciting new offerings.

> In a stagnating market like the German wine market, dynamic providers turn to innovation as a way out of the sales doldrums. They do this through strategies such as leveraging their brand via new product lines, often based on new business models. One example of this is the **Weil Junior** wine brand that was launched by the reputed winery **Robert Weil**. The junior wine is produced out of sourced grapes, the varietals differ from their flagship wines, wine is produced in a third-party

> wine cellar, and the wines are sold exclusively in supermarkets. Hence, the market development for growth realized by Weil Junior wines is distant to the traditional core business of high-end Riesling terroir wines.

Selling existing products into new markets represents a growth strategy **via market development**. Expanding your business by breaking into new markets with your existing product portfolio is achievable via new marketing channels, acquiring new target groups, or via regional expansion, including abroad. Internationalization is widely regarded as a significant driver of SME growth and success. Exporting is most likely to promote growth in cases where (a) the target export markets exhibit population, income and consumption growth higher to the home country market; (b) there is less competition in the target foreign market (e.g., less saturated); (c) high valuation and demand for foreign products (e.g., Japanese cars for quality reputation; champagne to celebrate special occasions). German companies tend to rely heavily on exports, and the collective reputation of Germany as a bastion of advanced technology and reliability – "made in Germany" transformed from a stigmatization to a quality seal.

Diversification represents a growth alternative of entering new markets with altogether new products. Such diversification growth strategy bears risks of tapping into unknown markets with an unfamiliar offering. Often, acquiring an existing business can represent a viable way for diversification strategies.

These growth strategies are relevant vehicles for wineries in their intention to grow. Referring to the German winemakers, they build on a combination of different approaches with strong marketing engagement – investments are therefore needed:

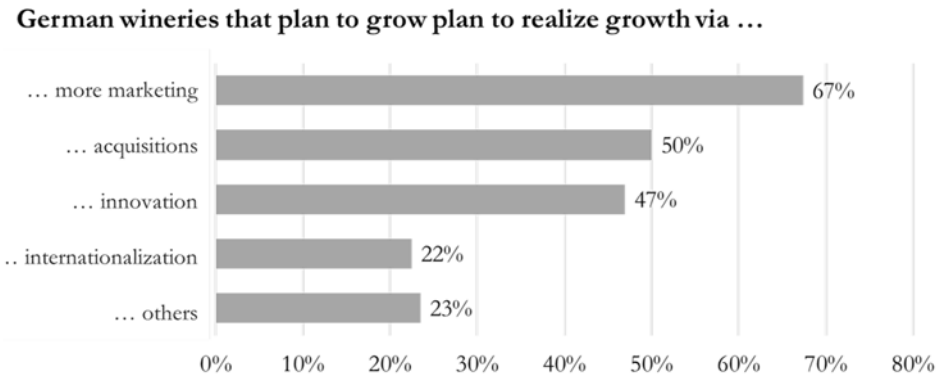


Figure 87: Growth strategy implementation (survey results)

> "German vintner **Markus Molitor** started his eponymous winery in 1984 in Germany's Mosel region at the age of 20, with a mere 1.5 hectares of vineyard surface. Mr. Molitor subsequently acquired, through a combination of purchasing and leasing, an additional 100 hectares on the steep slay slopes of the Mosel and Saar regions. Upon acquiring, in 2016, a former state-owned winery known as Weinbaudomäne Serrig in the Saar region, Mr. Molitor added 23 more hectares of contiguous vineyard surface to this portfolio. (2021 interview with the author)
>
> Upon purchasing the German and Rheingau-based winery Weingut **Schloss**

Rheinhartshausen, the **Lergenmüller** family added a new winery located distant from their Palatinate region. This acquisition enabled the winery to purchase a Mariannenau island Inselwein (island wine) domain. Thus, was regional expansion combined with launch of a new product portfolio, which now also includes brewing beer from hops grown right on the island.

In the case of the wine industry, event concepts such as wine bars and lounges diversify wine producers` offerings. Indeed, this respresents a vehicle to promote convivial consumption that also has the virtue of being trendy, fun and fancy – plus such concepts promote customer loyalty and help to acquire new customers. **Wine tourism** has proven to be an avenue for diversification in the German winegrowing industry. Event venue offerings via a new wine boutique, combining wine marketing with a bistro or the like, and providing B&B-style rooms can potentially open up additional and synergetic reveue streams. Wineries that go the extra mile in meeting customer needs tend to gain new customers or heighten their penetration of their existing customer segments by offering supplemental products and services. Such measures foster the direct-to-consumer sales of wine, and wine tourism per se can potentially generate additional income.

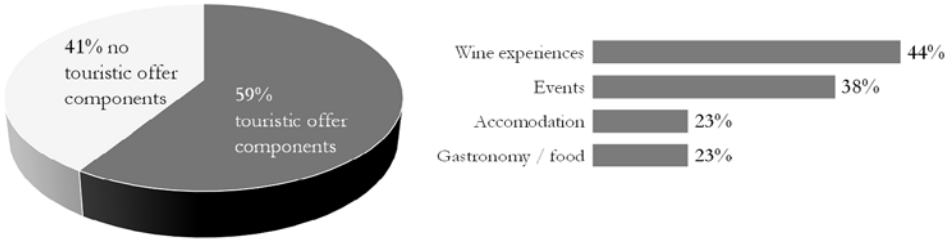


Figure 88: Wine tourism in the German winegrowing industry (survey results)



The German winemaking cooperative **Winzergenossenschaft Herxheim** added a wine lounge featuring an event concept and live music to their operation. To underline this approach, the winery came up with the tagline, "close to heaven", which also resulted in increased sales of the winery's fine wines. The newly created wine bar attracts wine-lovers in search for an experiential and stylish wine consumption. Thanks to the expansion of its business model, the cooperative has been able to reposition itself with an increase in sales of premium wines.

Weingut Holz-Weisbrodt, a winery in Germany, has been successful in marketing its products to new target groups, as verbatims from an interview demonstrates: *"Coziness, fun and relaxation was on offer via the winery's convivial Secco-Hütte. The "Stammhaus" offers a richly authentic, regional and traditional atmosphere. And the Artrium is a wine boutique featuring an exclusive atmosphere with a Meditteranean feel –*



> *a great venue for complete wine enjoyment, accompanied by a sense of well being and total relaxation. The winery's wines, which bear the names of three locations, enable patrons to relish the character of each wine intuitively. The winery's Stammhaus-Linie comprises classic Pfalz wines for everyday enjoyment, as well as Schorleweine, of course. The winery's Artrium wines consist of more exclusive and complex wines – perfect for uncomplicated, superb enjoyment. The winery's premium wines are named after the vintner Sebastian.* (2021 interview with the author)



> Video link: Leo Hillinger – „more than wine":
> https://www.youtube.com/watch?v=8enA12G3Mro

Respecting limited resources of small businesses, all growth options or ideas cannot be implemented simultaneously. Indeed, recourse to our surveys growth of German wine producers requires to decide for either increased exports or go via greater engagement in wine tourism. If you want your winery to experience well founded growth, financing and adequate allocation of resources is requisite. The sine qua non for all growth strategies is entrepreneurial commitment and a willingness to take risks.

6.6.4 Red versus blue ocean strategies

Strategic management philosophies historically strongly circled around competitive forces and the creation of superior strategies to outperform competition. The so called "Blue ocean" -approach puts emphasis on creating new markets. This business management philosophy developed by the business professors Kim & Mauborgne argues that new, uncontested markets can open up exciting new growth and value creation possibilities. The term "ocean" refers metaphorically to an activity (or area of activity), a market or an industry. The term red ocean refers to highly competitive markets whose providers' portfolios are essentially identical, and where providers exhibit predatory, shark-like behaviour resulting in bloody waters. Blue oceans, on the other hand, invite for surfing because of little competition where opportunities for development abound.

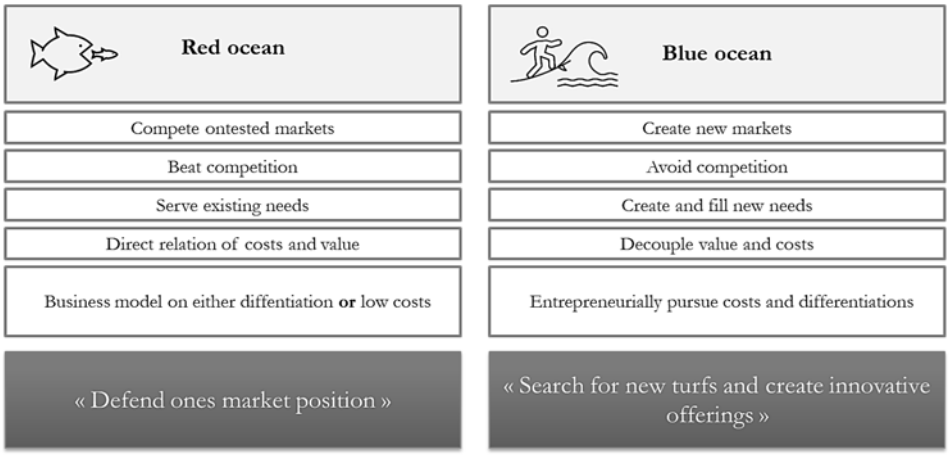


Figure 89: Attributes of red and blue ocean strategies (adapted from Kim & Mauborgne 2014)

Blue ocean marketeering seeks to create new needs, and then satisfy them. Value-creation dominates the strategic analyses and offer design concepts. Four actions (eliminate-reduce-raise-create) build the levers to create value innovation as key for blue ocean strategies. One oft-cited example for blue ocean strategies is **Cirque du Soleil**. Their entertainment offering combines art, music, acrobacy and mystery and opened up competition-free market potential in comparison to cutthroat competition of the circus industry. The wine industry also serves to explain how resounding success can be achieved through needs-evoking market creation. Kim & Mauborgne explicate **Yellow Tail**´s (an Australian wine brand) success in the US wine market referring to a blue ocean strategy: Yellowtail has created and penetrated a new market via its easy drinking approach with a generous dollop of Australian laid-back attitude leaving the so far highly red oceans of the American wine markets of either premium, complex wines or non-thrilling low-budget wines to competitors.

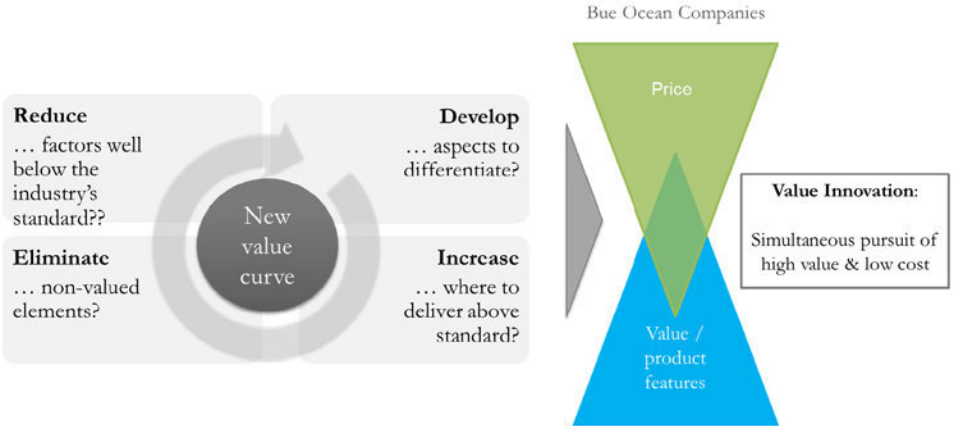


Figure 90: Value innovation (adapted from Kim & Mauborgne 2014)

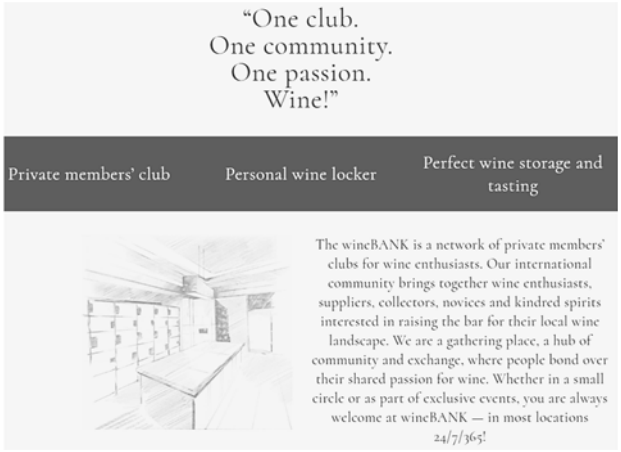
> "[**yellow tail**] challenged the traditional wine conventions and provided a fruit-forward, accessible, easy-drinking alternative. Everything about [yellow tail] simplified wine from the wine through to the packaging, making it easy to drink, find, choose, and enjoy." In a period amounting to less than 15 years Yellowtail sold upwards of a billion bottles of wine – a staggering achievement. Yellowtail is one of the world's most profitable wine brands and holds a one third market share of Australian wine exports to the US.



Two good reasons to apply blue ocean thinking for your business are (1) saturated markets lack growth opportunities; and (2) exciting opportunities for value creation in other sectors (e.g., expansion via innovative approaches to wine tourism).

> QR Link Ress WineBank https://www.winebank.de/files/wineLAIR/about-us/210114_WINEBANK_LANG_Untertitel_YouTube1080.mp4

The so called **WineBank** creatively satisfies heretofore unmet customer needs. As city dwellers often have to contend with limited or unsuitable storage space for their wines, the wine-entrepreneur **Weingut Balthasar Ress** created a modern storage place for wine with an infrastructure to enjoy wine. In the cellar of the WineBank one can rent a compartment to store own wines, not only from the winery Ress. They hereby created a facility for convivial wine-drinking get-togethers with friends or business associates, plus it allows for networking and other social activities. A look into the storage compartments of other customers can stimulate or even tempt to show the own wine stocks. The captivatingly designed concept of storage and tasting facilities, embedded in a wine experience world, fulfills needs of self-expression, community and realization of wine aspirations. This blue-ocean-based addition to the winery's business model has been so successful that it has been expanded into a franchise model with venues worldwide.



Fritz Müller Perlwine is a German semi-sparkling wine, created in 2009 with a blue ocean thinking approach explained as follows: *„Can Müller-Thurgau (a German white wine varietal) manage La Dolce Vita? asked Guido Walter, when prosecco was flying off shelves worldwide. Müller-Thurgau withered miserably to cheap wines in the 1980s. Vintner Jürgen Hofmann never had a moment's doubt about the robust varietal,* ***planted by his father. And perhaps*** *Müller-grapes just needed a bit of extra stimulus?* ***Müller****-Thurgau in* ***frizz****ante – in a word, Fritz Müller.* ***A white wine endowed with bubbles with craftsmanlike skill. (...) As simply scrumptious semi-sparkling wine featuring a terrific 20th century design, Fritz Müller wines are now marketed in seven countries."*** (Company information 2023)



6.6.5 Strategies for process and efficiency optimization

Portfolio and offering design shouldn't be limited to considerations of what *should* be marketed, as it's crucial to factor in which items *shouldn't* be marketed in the first place, and which products or offer components should be phased out. In other words, you need to ask yourself the following question: Which value creating activities or portfolio elements can be set aside, in the interest of meeting customer and other relevant needs in an optimally resource-efficient fashion and ensuring that your company's value creation will also improve? As a starting point, a customer-centric value creation curve needs to be defined. The auto industry has enjoyed great success with

its modular car designs that allow for cost reduction by using the same parts in different models. In the same vein, offering various constellations of optional extras makes it easier for consumers to make their choices, while at the same time streamlining the whole process, which cuts costs. Discontinuing unused service components, which is also helpful in this regard, allows to concentrate on aspects that deliver palpable benefits for the customer and helps to reduce complexity. If relatively few customers show up during your early morning winery's opening hours, you might want to consider a by appointment only approach for the period of low utilization, as this would enable you put those opening-hours resources to better use.

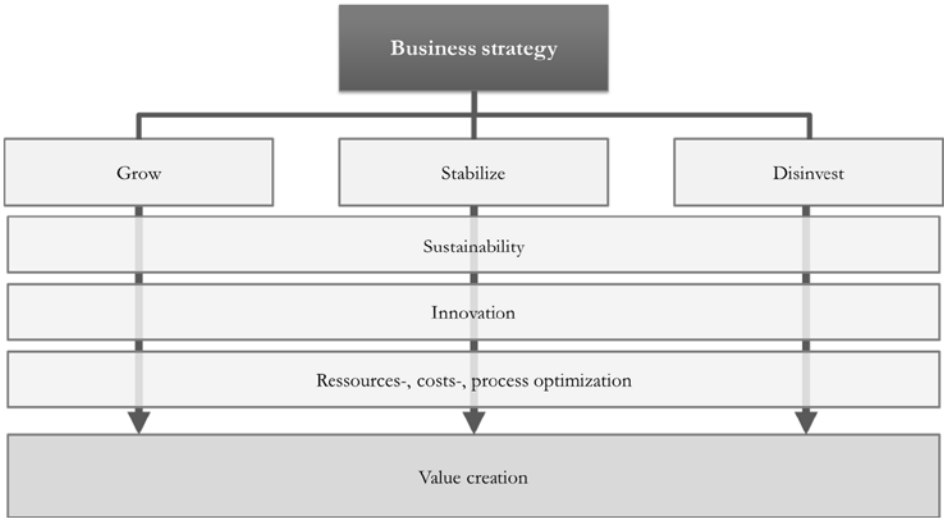


Figure 91: Focuses of strategy development

Indeed, experiencing resource scarcity (e.g., energy or glass) and negative effects of growth (e.g., pollution, waste) signpost that sustainability requires to rethink the **paradigmatic belief in value of growth**. Indeed, the ineluctability of resource finitude and the negative effects of growth resulting from, for example, the carbon emissions from the ever-growing number of motor vehicles on our roads, or resource use attributable to growth-induced goods manufacturing need to be acknowledged in strategizing. Sustainability strategies are today more likely than ever before to embody a jaundiced view of quantitative growth. However, **qualitative growth** is a viable alternative to its quantitative resource-consuming counterpart. This paradigm allows for the elaboration of strategies that take the precept "**less is more"** as their starting point. In other words, why not produce less and instead focus on the optimization of quality, sustainability and customer satisfaction. Rigorous resource and cost management will help you to satisfy your profitability and sustainability goals, in all strategic contexts.

> The German VDP winery **A. Christmann** explains the logic of their downsizing by an ambition to grow in quality: "The idea of redesigning our product range has occupied us for a long time. We thought hard about how to take this step and whether we were too bold, too progressive or too fast. But the desire to focus the

> winery on the best was too great: all vineyards that are not VDP.Ersten and Großen Lagen were divested."

Ramping up efficiency requires creativity, innovation and a willingness to reassess current processes and hence faces barriers to change. Achieving cost leadership can only be achieved by rigorous optimization aimed at leveraging all possible avenues for cost reduction in all processes – for example by deciding to purchase equipment that eliminates manual processes. In addition, cost leaders need to strive for process flexibility and greater capacity since higher output will reduce unit costs. Niche strategy process design helps to ensure that the resulting processes and products will be maximally customer centric. Premium strategy process design should focus on product individualization, process efficiency, and above all making sure that the company's customer service meets the whole gamut of their sophisticated customer needs and expectations.

Instituting sustainability in your business will go a long way toward making your business model **more appealing**, but also **more streamlined**. This approach also expands the scope of the entrepreneurial comfort zone and accentuates long term orientation.

6.6.6 Strategic succession planning and business transfer

Handing over the business to a new owner or management team is a major event in the life cycle of any entrepreneur and company. Fifteen percent of German small businesses – more than 70,000 in number – will change in ownership and management within the next five years. Indeed, our empirical survey of the German winegrowing industry found that that one out of every ten businesses are involved in a business transfer. If for small businesses, handing over the reins of management to newcomers usually revolves around inheritance related issues, strategic management should be the task at hand. As the following list of key facts shows, the ambitious goals set by these companies for a business transfer often remain unmet:

- Despite positive pre-takeover assessments, the successors of more than half of transferred companies do not turn a profit, and even lose market share.
- Companies that are about to be transferred tend to cut back on their capital investments – and this in turn makes it difficult for the incoming team to improve the company's bottom line.

Business transfers can potentially create fertile ground for competent change management. The strategic relevance of professional handing over the business is substantiated by the salutary effects that instituting **succession policies** impacts ratings by financial institutions positively. In cases where considerable emotion is attached to a business transfer and if gut instinct is the prevailing management modality, then the motivations of the negotiating parties instead of the company's future are the main concern. In order for a business transfer to stick and for the company in question to thrive over the long haul, it is essential that the room for maneuver at the negotiating table be carefully analyzed and that the **putative scenarios** in this regard be transparent and iterative, based on the expectations and approaches to optimization of the relevant actors.



*"**Pauline Baumberger** is a young vintner who cultivates wine grapes at her family's winery, using a process that is fully in keeping with the production of natural wine. Headwind from the industry were not long in coming. Natural wine, which is neither filtered nor refined, is produced via spontaneous fermentation. Achieving this is quite a coup for a region where until Ms. Baumberger got into the act, no natural wine was produced at all. Ms. Baumberger's venture was risky from the get-go – but her family was behind her all the way. Pauline reports proudly that when she first opened the container after the grape harvest, the whole room smelled of strawberries. Indeed, her father swore he'd never encountered anything like this. If they manage to retain everything that's originally in the wine from the get-go, they are convinced having done a lot quite well."* (Baghernejad 2020)

When a business is being taken over by one or more family members, it's vital to ensure that these **successors** are the right fit with the company in question, that they have the requisite skillsets and character traits, and that they genuinely want to take over the reins and incur the kinds of risks of the business. Transferring a family business to succeeding family members with the goal of ensuring that the company will remain a going concern for future generations is often, understandably, a plausible wish of outgoing owners. However, an intra-familial transfer bears potential conflicts between the outgoing and incoming generations of managers about the direction the company should be taking. Another factor that can potentially make life difficult for newcomers is that everything about a small business and craftship, from its work atmosphere to its brand design, is largely determined by the personality of the owner entrepreneur. The option to sell the company can advantageous to avoid any pre- or post-transfer family squabbles; or if no family member wants or is a suitable candidate to take over the company. Potential buyers in such cases include company employees, competitors, investment funds, or other investors. Market based business transfers are becoming increasingly frequent in the German winegrowing industry.

The Swiss winery **Schmid Wetli** reports on their succession process: *"On our father's 65th birthday, our parents Susanne and Kaspar Wetli handed over Schmid Wetli to us sons on September 5, 2022. The decades of building up the company have paid off. We are very proud to be able to continue our parents' life's work in the next family generation and owe the trust placed in us by leading the winery into the future with the same passion. Full of zest for action, we are looking forward to the new responsibility into which we have been allowed to grow over the past years. Kaspar Jr. acts as managing director and oenologist, Matthias is responsible for sales, Florian has taken over the administration and Adrian is responsible for the vineyards. No, they can't quite leave it alone. And we brothers are glad that our parents will continue to be heir to the family business. Together we look forward to a happy future with both generations and with the whole team."*

Going out of business is often the result of a failed attempt to transfer the company to a successor, and a subsequent unsuccessful attempt to sell the company. Winding down a company's activities can involve considerable effort, and proactive management is essential in order to bring this process to completion without any undue asset loss.

A professional business transfer necessitates managerial efforts and certainly a revision of the strategy. Departing owners should determine their expections (e.g., working time in the future) and also financial needs in light of their private life planning, building the basis for the terms and conditions of transfer. Such conditions can potentially give rise to conflicts, as well as to emotional issues that could derail the company in the coming years. The key motivation for successors is usually self-realization and the desire for independence, often potentially in conflict with departing parties hesitant to question supposedly optimal processes. A strategic analysis should be affected in order to assess the company's viability going forward, and should if necessary investigate alternative paths; and this analysis should provide a sound basis for the valuation of the venture. Ideally, the main thrust of the company's future strategies will be pursued by the incoming management team, but the experience and insights of the outgoing team often prove to be valuable. As is the case with business startups, sustainability is increasingly a relevant strategic factor in the strategic analyses and planning the path the company for the post-takeover phase. Sustainability can serve as a touchstone for strategy design, as well as for announcements of a business transfer, particularly when the company's customer base is part of the transfer package.

A profound analysis of a company that is about to be taken over builds the basis for **valuation and financial compensation**, since transactions are often fraught with emotion. Needless to say, the outgoing team's take on the company's valuation is bound to be more optimistic than that of the incoming team. If younger-generation successors often express the view that the company in question is past its prime or lacking a promising future, members of the older, departing generation tend to give their company's valuation top marks. Transparency based on a strategic and valuation analysis of the company in question, that also factors in the company's positioning, its capacity for change, its overall potential and the related investments and relevant measures, can help to make such handing over of the reins go far more smoothly. The scope of investments that need to be made will hinge on the investment backlog. Apply different approaches to **value** the company, from assets-focussed quantification to earning-based valuation. Future earnings, profitability and needed investments need to be capitalized earnings (e.g., capital asset pricing model). Forecasting future earnings, costs, and

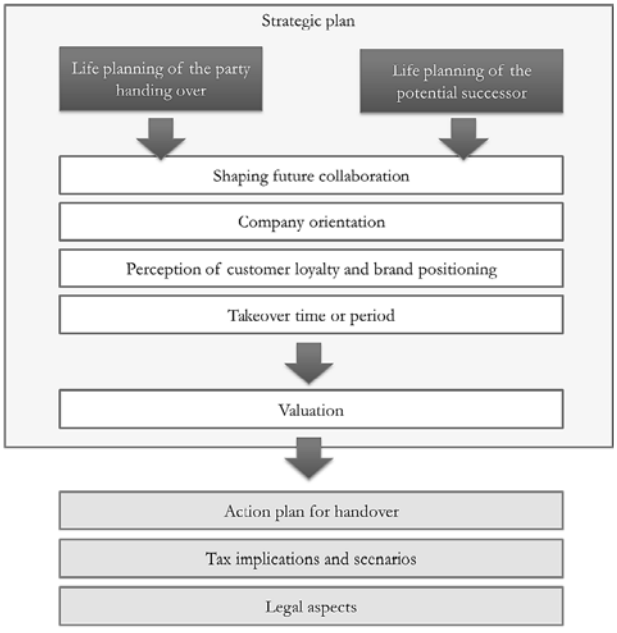


Figure 92: Strategic business transfers

needed investments should be in accordance with the tailored "strategy to-be" and the interest rate to discount the values reflect market rates and risks involved. The aim actual procedural changing of hands, apart from a smooth transition, is to seek fresh approaches (e.g., repositioning or revamped pricing). Relevant case histories show that strategically targeting new market segments can often make up for losses resulting from customer churn owning to factors such as updated optics and can even pave the way for long term growth.

> Organic wine expert **Peter Riegel** reports on a smooth intra-familial handover: *"My son Felix had already taken over the lion's share of my duties over the past two years. And so, I shall be retiring from day-to-day management, but will continue on as an advisor to and shareholder of the company."* (Meininger 2021)

Entrepreneurial aspirations can serve as guidelines for strategizing and for successful implementation of strategies. The following questions are designed to get you thinking about these matters:

[1] Are my entrepreneurial aspirations too high? too low? Am I pursuing ambitious goals that a lot of people say are probably unrealistic? Or am I pursuing goals that aren't particularly ambitious but whose appeal is that I'm far more likely to achieve them?

[2] What point in the lifecycle of my company's products and of my company per se have I reached? What conclusions can I draw about what I need to do, from my answer to this question?

[3] How important is growth to me and my company? How do my growth-related goals square with my sustainability goals?

[4] Which markets or circumstances could my company benefit from, and what are the implications of this for my company?

[5] Which offer components are not key for my positioning and would it be advisable to eliminate from? If I were to place more emphasis on any of these elements, what effect might that have, including in light of long-term trends or sustainability aspects?

[6] In what ways could innovation be conducive to cutting back on and/or expanding the scope of the relevant processes, products and markets?

[7] Which sustainability activities am I undertaking with a view to keeping my company robustly on track? Are all of the activities related to my long-term strategic goals in sync with my sustainability goals?

[8] Do my sustainability goals have the wherewithal to ensure that my company remains a going concern over the long haul and that none of our activities will imperil future generations?

[9] Does my strategic vision motivate future management or eventual new owners? Where is my value generation and is it sustainable?

7 Sustainable business model design

Business models enable strategic goals and policies to be implemented. They are the bedrock of all entrepreneurial activities and play a crucial role for achievement of the goals a business has set for itself, and its overall success.

A **business model** describes the logical elements of entrepreneurial value creation, based on key constituents. It defines resources and capabilities that are key to providing the requisite elements of the value-creation Business models are derived not from process-based mapping of the relevant transformation steps and services, but instead provide an overview of the relevant core elements and the portfolio related elements from the standpoint of the company itself. It is strongly recommended to visualize the core elements (e.g., a **Business Model Canvas** serves to map the core elements of a business model).

A business model determines (1) target-group specific **offerings** and (2) how those offerings **are to be created**. Entrepreneurs need to robustly draw attention to their offerings – beyond products. Gaining and keeping customers is labor-intensive and time consuming and should be designed in a fashion that makes optimal use of existing resources and optimal integration of fitting partners. But once a business model has been put into action, it's also essential to reassess and if warranted tweak it, using earnings and sustainability as the main parameters. In short, a business model is the core element of sustainable strategies.

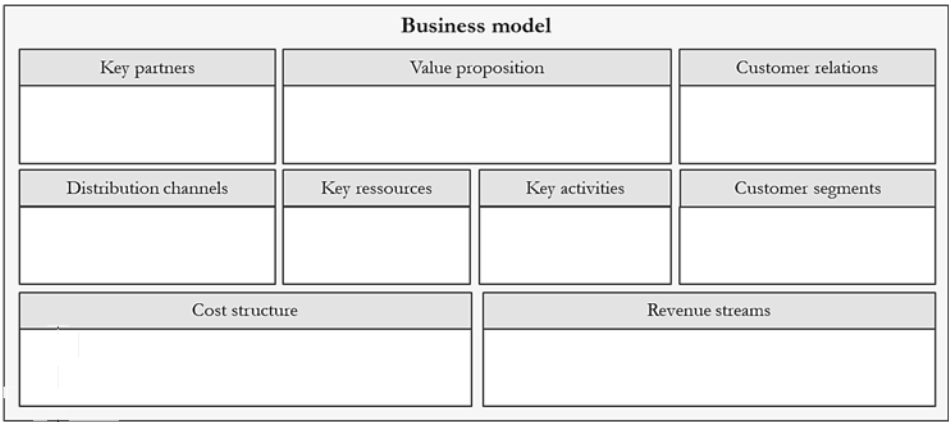


Figure 93: The Business Model Canvas (adapted from Osterwalder & Pigneur 2010)

If a business model is viable, it will help you to implement customer-centric and sustainability strategies.

7.1 From production focus to customer-oriented sustainability

The key to the success lies in but goes beyond identifying customer needs, generating **added value for customers** and the company decides on winning in competitive environments, via an appealing array of offer components and highly competent implementation. Thus, a sound business model will enable you to design the **earnings**, **costs** and **value creation** elements of your company – be resilient, successful and sustainable in times of demanding change.

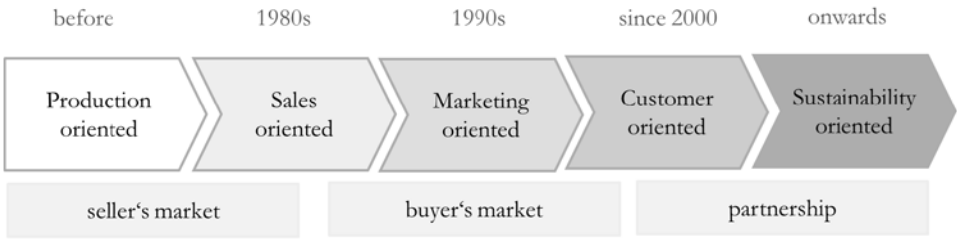


Figure 94: The strategic orientation timeline

There was a time when providers made frequent references to a phenomenon known as **market pull**. Back then in times of non-saturated markets, goods were in short supply and produced without any attempt to individualize them or go to great lengths to market them. This resulted in a rise in mass production, with a view to increase production output as quickly as possible, in response to the rise in consumption resulting from population growth and increases in disposable income. The first-ever mass-produced automobile, the Model T, was available solely in black and with identical equipment. The avoidance of product variants, which aimed to maximize assembly line efficiency, is one of the hallmarks of mass production. Cost minimization and efficiency are key when it comes to designing a business model with a **focus on production processes**.

> *The Model T Ford, nicknamed Tin Lizzy, sold like hotcakes right from the start. During the first full sales year (1909) around 10,600 Model T's were produced. By way of comparison, in this same period in Germany, a grand total of 9,444 cars rolled off the assembly lines of 50 different automakers. By 1927, when the Model T was phased out, 15 million units had been sold – a record that wasn't broken until the 1972 advent of the VW Bug.* (Sager 2008)

Following the rising productivity, increased outputs, technologization, and stiffer competition, manufacturers began offering a greater range and number of products – a period where **sales volume** dominated success measures. Customer expecations were on the rise. This phase gave way to one in which **sales and marketing** were king. This era centered around what is known as push marketing strategies, whereby more varied and appealing product portfolios were offered by a host of providers. The stiff and oftentimes cut-throat competition that is prevalent nowadays has created a **buyer's market** which requires providers to eschew mass production and proactively devise customer-centric, flexible solutions that meet specific target group needs, on the back of (big) data and digitization.

"All value begins and ends with the customer"
Philip Kotler

The concept of marketing mix was developed with a view to bolstering sales and promoting the selling proposition of the individual producer or supplier. In practice, the framework of "4-Ps of marketing" (product, price, place and promotion) allowed for detailed planning of strategic orientation. 4P model was enlarged by the 7P model, adding people, process, physical outlets, indicating that marketing claimed a dominant role in strategy formulation. Following the ambition to create customer-centric strategies, further evolution of marketing mix models resulted for example in the 4C model (customer, cost, convenience, communication) or the SAVE framework (solution, access, value, education). The later frameworks claim to enable the creation of solutions instead of just delivering products. If previous phases mainly focused on achieving revenue or sales targets through advertising and (subsequently) an integrated marketing mix approach, what is needed nowadays are **customer-centric business models** that aim to make customers devotees of a given brand.



Figure 95: Marketing mix frameworks

The design of sustainable, value-driven business model concepts should center around a constellation of synchronized components that form a coherent, customer-centric whole. Hence, the bedrock of business models should be a customer-oriented value proposition and networked processes derived from far-reaching sustainability concepts. In a business world increasingly departing from primarily economic sales thinking, a sustainable business model design should claim and fulfill that (a) your customers are ardent fans and aficionados of your brand; (b) your company (and brand) appeals by genuine contributions to the achievement of sustainability - demonstrating that your company is determined to help achieve a safer and more climate-friendly future. An orientation towards **future customer and potential operational needs** goes a long way toward valorizing a company's sustainability measures as an integral part of their corporate strategy.

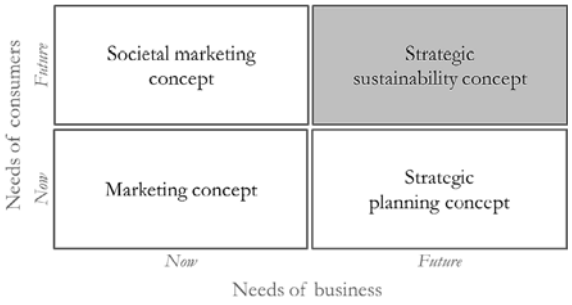


Figure 96: Marketing backdrop on sustainability (adapted from Emery 2012)

Four central questions help to design a winning customer-centric and sustainable business model design for small-businesses owners:

[1] Who are our customers? Measures aimed at identifying target groups and establishing **lasting relationships with customers**.

[2] What do we offer our customers? Measures aimed at providing products and services that genuinely meet customer needs, that deliver palpable **customer benefits** as well as unique attributes.

[3] How do we go about providing products and/or services? **Sustainable use of resources**, and coordination of all activities aimed at (a) offering a robustly **sustainable portfolio** of goods and services; and (b) making your customers **not just customers but partners**.

[4] In what ways do we create value? Capitalizing on potential revenue streams and sources, while still (a) taking into account the **cost of ensuring the long-term sustainability** of your organization; and (b) making **a positive contribution** to the health and well being of future generations.

Answering these four questions, with a particular focus on innovation, sustainability and strategizing, will help you to implement in a coordinated fashion measures aimed at instituting a successful and sustainable business model covering all relevant aspects (customer and needs; offering; value creation, value proposition).

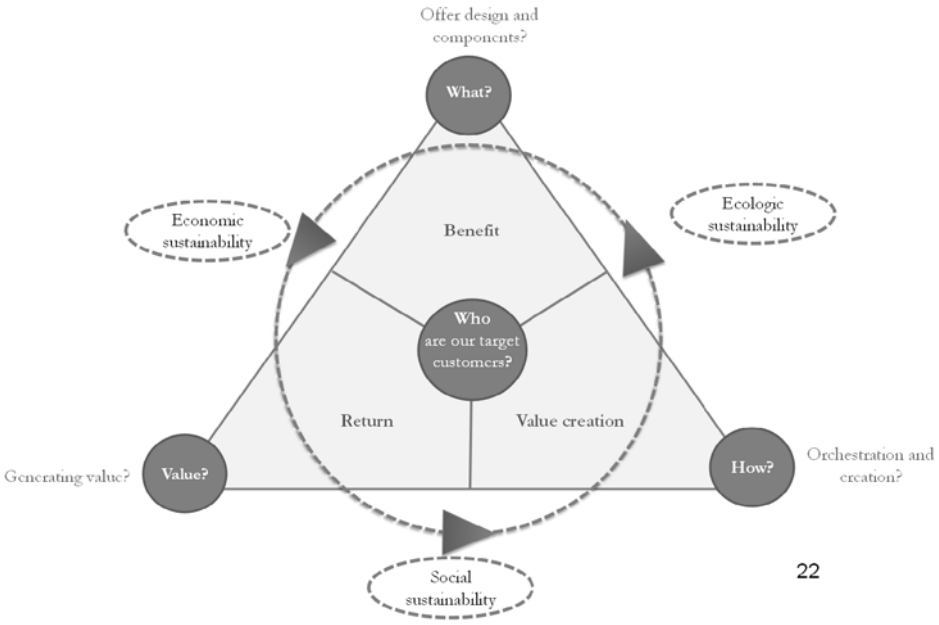


Figure 97: Designing sustainable business model (adapted from Gassmann et al 2013)

7.2 Who? – Customers and needs

Product or service serve the satisfaction of **customer needs**. However, these needs are becoming increasing individualized and are changing dynamically, on account of trends observable amongst both consumers and vendors. Technological progress paves the way for possible innovations, new solutions or product updating and variation. People living longer and healthier, increases in disposable income, and other changes in today's society are giving rise to new customer needs. These needs and the desire for their fulfillment are being ramified by greater transparency and more widespread networking – the **variation of needs** explodes and **expectations of their fulfillment** skyrocket.

In consequence, consumers should be provided with products and services that are as closely tailored as possible to their individual wants, desires and needs. To do this, you need to **gather, deep-drill and update information** about your customers as individuals and as target groups, and then use this data as a springboard for the creation of suitable **customer relations management** (CRM) strategies. If you are able to find out what makes your potential and existing customers tick, you will have a far greater chance of establishing lasting relationships with them wherein you, as the provider, become (and are seen as) a trusted companion and source of support, from first contact to purchase decision and beyond. However, doing this involves greater effort, as you'll no doubt be aiming for positive interactions with your customers at all interfaces when availing yourself of data-based infrastructure elements, the growing intermeshed options for interacting with your customers, and the resulting data transparency. Adroitly managed customer relations and customer contact will go a long way toward helping you achieve your strategic goals.

> Video link: **Customer-centricity**: Where the Future is Created - YouTube
> https://www.youtube.com/watch?v=i4gFAf7yAn0

7.2.1 Target-group focus

Given the myriad of customer needs and the complexity thereof, plus the growing tendency toward **individualization**, it behooves providers to dig deeply into all aspects of their customers' needs so as to be able to devise **solutions** and **portfolios** that are a good fit with these needs. The time when all a company needed to do was conduct market surveys and analyses of presumed customer preferences is gone. Gathering rich intelligence on customer needs, including their related attitudes and behaviours is indispensable if you want to successfully market your products. The "tip of the iceberg" graphic below elucidates this approach.

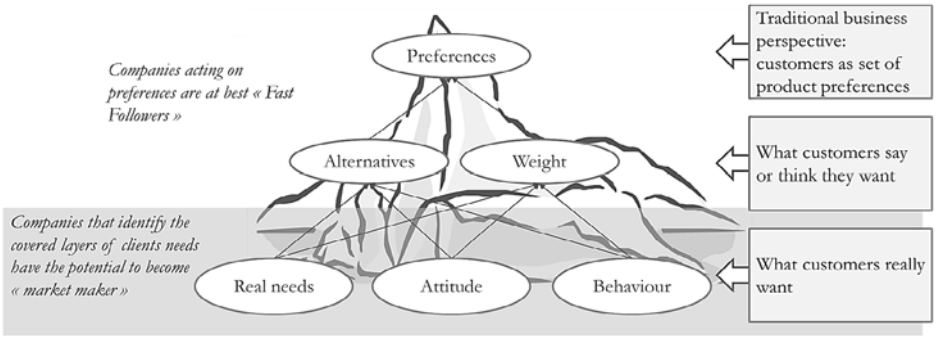


Figure 98: Gaining an understanding of customer needs

It's no longer enough to find out which type of wine (red? white? sparkling? non-alcoholic? organic? sweet?) customers make a beeline for at the supermarket – or for that matter whether they're more likely to buy a wine that's in a trendy bottle or a more traditional bottle. Finding out what consumers really want, need or even yearn for means getting the answers to questions such as these: What prompts a customer to drink wine in the first place, rather than, say, spring water or beer or fruit juice? Is it: mere sociability? the pure enjoyment of imbibing wine? the flavor of wine? or perhaps, out of politeness? On what occasions do customer pop the cork on a bottle of wine? When they're alone at home? At a party with friends? Eating out at a restaurant with company customers? Is the customer single? married? with/without children? a spendthrift? a shopaholic? a movie buff? an expert cook? And so, on and on. Does the customer have a wine rack, wine cellar or wine refrigerator? To what extent is the customer price conscious, and what kinds of personal values does the customer hold dear? Are matters such as wine expertise, reveling in the joys of nature, and sustainability important to the customer? What is the customer's attitude toward alcohol consumption in general? These questions are merely the tip of the investigatory iceberg and are indicative of (a) the breadth of the data that should be taken into consideration here; and (b) the supreme importance of gathering information on steady customers. Small businesses stand much to gain from focusing as much as possible on the relevant target groups, rather than casting their marketing net wide.

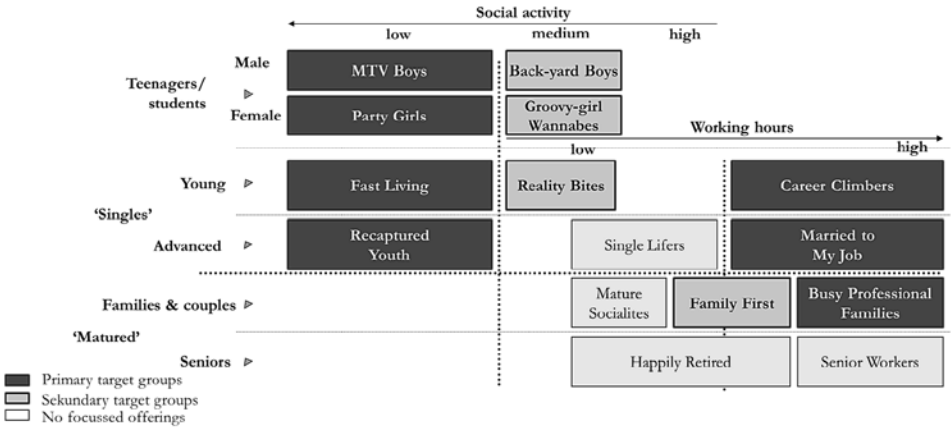


Figure 99: Illustration of a hypothetical constellation of target groups

A **target group** is first and foremost the cohort of customers that you most want and/or need to home in on. Which means asking yourself these questions: What are the distinguishing attributes of my target groups? What are their needs – and how can I most effectively make my products and brands compellingly visible to these customers? Bear in mind that the smaller the company and customer tally, the better the chance of getting to know your customers personally and gaining an understanding of them. Segmentation helps to build types or clusters of customers to address target group needs.

The first step in **customer segmenting** is to make a distinction between B2B (business to business), and B2C (business to consumer) customers. You can then use this as a foundation to flesh out the key attributes of your target groups. For example, use descriptive segmenting criteria (such as age) or behaviour patterns (habits, preferred shopping venues), or any others (such as willingness to take risks, sociability and attitudes toward environmental issues) that you feel are useful and relevant. Market research surveys or publications of research or eventually future institutes might provide information that you find useful to generate customer and behavioural categories. For B2B, you'll need to find out what these customers' top needs are at (a) the organizational level; and (b) the human level, meaning: what are the exact needs of the members of the procurement team?

A highly effective way to delve even deeper into your customers' needs is to **interact** with them, as this can potentially generate information of extreme and highly insightful granularity – which is why nowadays data is (metaphorically speaking) the "**new gold**". Companies at the forefront in data-exploitation can seize upon marketing opportunities, tailor very specific (and enticing) products and services and are therefore bound to enjoy impregnable competitive advantages. Take Amazon, for example. which has revolutionized purchasing decisions via elaborate data mining that provides invaluable, highly lucrative insights (and to some degree control over) the purchasing behaviour of the company's customers, based on algorithms. Shaving insights from affinity analysis (customers who bought abc product also bought xyz product) has revolutionized buying decision of customers to their profit. Small businesses can enrich their strategies (and bottom line) in cognition of the value of data mining and algorithms.



7.2.2 Comprehensive customer management

The potent one-two punch of digitization and social change potentially open up a broad range of opportunities for **customer management design** and the attendant strategies, from both the consumer and company standpoints. Social media and other technological tools that are at just about everyone's fingertips nowadays also provide rich opportunities for innovative and potentially highly effective marketeering and relationship management.

> **Customer relationship management** (CRM) software provides insight into your customer base and the purchasing behaviour of your customers. When such software is expertly managed and kept rigorously updated, it can provide information concerning tallies, addresses, purchasing frequency, sales, and individual customers' (online) shopping baskets.

As CRM software compiles all sales figures into a single database, **customer profiles** should also be integrated into such tools. This kind of data provides the transparency and impetus needed for fruitful strategizing (e.g., ABC-analyses) and for operational measures (e.g., sending out customer specific newsletters). Such data can then be used for detailed sales and customer analyses. The data managed in CRM systems concerns matters such as customer **contact details** (e.g., name, age, address), as well as **transaction data** pertaining to sales, claims, information interchange (e.g., sales, complaints) and the like.

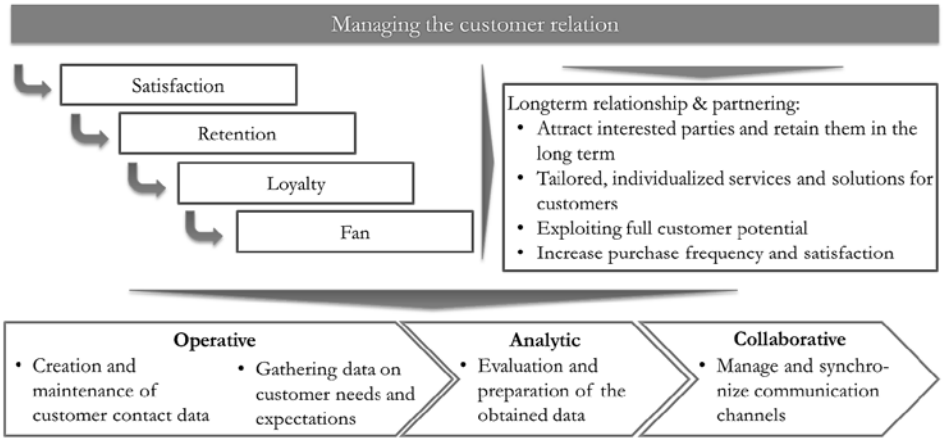


Figure 100: Comprehensive customer care and relationship management

If used consistently, the data compiled by CRM software provides an ideal database for **customer care**. Personal conversations with customers can provide insight into the operant purchase-decision parameters, along with personal, system-enriching information that can enable you to pleasantly surprise your customers by genuinely being there for them when they're in the process of making a purchase decision. Company newsletters can be tailored to very specific consumer preferences and can be sent out at the opportune or decisive moment in the customer's purchase decision process. Customers can be identified by ther incalling telephone number. Linking CRM tools with supportive management systems (e.g., Enterprise Resource Planning) help to strengthen your company's data-related operational processes such as product availability. But CRM tools can provide effective support for optimized customer care and management *only* if they are kept rigorously **updated**. Transaction needs to be used for database updating purposes and to **validate** gathered data. However, such data should be used with considerable circumspection (e.g., with an eye on possible future developments) given that data mining, categorization (e.g., customer segment assignment) and management (what should be evaluated and at which intervals?) can only yield the desired results if management of the tool is based on well structured, overlap-free data sets. Any sale not entered in the system or without the customer's address hampers subsequent analyses of customer tallies, loyalty and geographical distribution.

An ancillary **customer survey** can (a) provide invaluable information concerning customer satisfaction; (b) point (or pave) the way to possible new products and/or services; and (c) indicate which components should be shed. This type of information gathering is known as primary market research. If such surveys are conducted with consummate professionalism, which involves matters such as data privacy, and keeping questions short, polite and to the point), but also in a personable fashion (e.g., during wine tastings), the participants are more likely to feel respected and will appreciate, or even feel flattered, that you have solicited their views. This in turn works to the benefit of customer loyalty.

Creating visualizations of possible **touchpoints** in order to generate relevant content and create a positive customer experience based on **marketing personas** can provide valuable insights into what makes customers tick.

A **marketing persona** (also known as a buyer persona) is a semi-fictional representation of a group of customers who have similar goals, buyer journeys and personal profiles. Marketing personas help you to internalize the characteristic customer you're trying to attract. They help you relate to your prospects as real humans in order to define or challenge offerings, design of interaction and interfaces.

Richy Riesling (young, sporty hedonist)

- Richy (25) lives after his studies in Paris. He likes his first job, although timely demanding. Richy has a girlfriend and a diverse portfolio of good friends.
- Richy likes to travel and prefers ski and surf destinations. He camps with his friends, with his girlfriend he enjoys city-trips or beach holidays. He is multi-lingual, very sporty and enjoys cooking.
- Richy drinks beer with his friends, sometimes cocktails and occasionally wine. His girlfriend likes when he cooks and share a bottle of wine. When Richy was student, he used to buy low-budget wines in supermarkets. Because of his parents he was able to experience also premium wines from different countries.
- Richy buys organic food retail shops. On sundays he buys at the market.
- He uses social media, but rather occassionally. He dislikes being permanently online.



Figure 101: Example of a winery marketing persona

Marketing personas suit to design the customer experience upstream of the relevant marketing channel, to be validated by means of **tests** and **experiments**. Vintners, for example, can use marketing personas to (a) optimize their website content (What are the members of my various target groups seeking when they visit my website?); (b) target social media (Which information do my customers find interesting that also arouses their interest in my products?); and (c) bolster your company's visibility in the relevant market channels (Which information do restaurateurs and retailers need in order to instill their customers with enthusiasm for my products?).

> **Carsten Witteck** from **Milupa Nutricia** (part of Danone with expertise in medial nutrition) states: *"Thanks to the marketing personas we developed – the result of lots of long hours of hard work – we created two different Facebook pages as touchpoints for two products with dissimilar positionings. This could not have been achieved via a joint marketing channel, since the customer interests and needs differ far too greatly."* (Glattes 2016)

Astute interface management and proactively keeping in touch with your customers will provide you with a great deal of feedback and other information that might otherwise be unobtainable. **Content marketing** chips in targeted, relevant information, advice and/or entertainment, beneficial for your company's reputation and branding activities. Customer loyalty will improve, and you'll be able to expand your customer base via viral-like communication. **Mouth to mouth** advertising via social media can be exponentially effective, as can be seen in the telecom industry, which uses data

mining to identify opinion leaders. Special offers for the identified leaders motivating them to share their experiences or positive attention secures a snowball-effect of **viral marketing**. Caution is advised, as this also applies to negative impressions that are disseminated unfiltered in social media. Relative to a positive review, a negative review has a seven times greater impact of dissemination.

Viral marketing is based on the idea that communication in networks spreads in analogy to the spread of viruses and generates snowball-like attention. Digitally based social networks and media have fueled viral marketing, because information is sent among friends, in communities of interest, by opinion leaders, **bloggers**, and **influencers**, and spread out too many potential prospects at the push of a button, who in turn forward it to their contacts. These comments increase the attention for brands, products or campaigns.

Wang Shenghan, the founder and CEO of **Lady Penguin**, China's most influential platform providing wine knowledge, has been courted by vintners all over the world, in the hope that Lady Penguin will enable them to penetrate the Chinese wine market. Ms. Shenghan maintains an 80-member team that specializes in expert implementation via social media and online shops.





One of **Toni Askitis**'s missions in life is to get young people excited about wine via social media: *"Recently named one of Germany's 50 top sommeliers, with an enviable track record in the restaurant industry, Toni is a passionate sommelier (#asktoni). As Toni says, Wine should bring joy and connect people.*" (weintour.net 2021)

Larger corporations can afford to keep professional marketeers or subject experts on staff, whereas smaller companies need to operate within the limits of their available resources and focus on investing in developing productive touchpoints. Being a **media-savvy entrepreneur** can be advantageous. It is about mastering the relevant tools and languages and be able to generate rich and varied content and keep it updated and above all lively and current. An excellent substitute for marketing consultants and the like is to hang out and network with opinion leaders (multipliers) or include in your personal network individuals who are excited and knowledgeable about marketing. Making social media an integral part of your marketing strategies can be highly effective but for small businesses, minimalist or accentuated social media activities (e.g., targeting specific customer segments) can an advisable strategy.

Excerpt from a press release issued by **Château Ausone** co-owner and CEO P**auline Vauthier** explaining the exit of world class French wineries Château Ausone and Château Cheval Blanc of the Grand Cru classification of Bordeaux wine region Saint-Emilion (both were classified as highest rank A for years): *"If we've gotten to the point where marketing activities carry more weight than terroir; and where social media rather than internationally recognized wine connoisseurs are the arbiter of who gets to use the Premier Cru classification, this type of classification is bound to become less relevant to what the world's top winemakers deserve (...).*" (Moser 2021)

Each and every contact with your customers is potentially an opportunity to build and/or strengthen a lasting relationship. You should think of all **interfaces** as opportunities to genuinely connect with your customers on a subjective level, by robustly conveying your personal and entrepreneurial values, your most cherished goals, and above all what you are doing to make your company and all its activities sustainable. **Storytelling** marketing can be a highly effective tool in this regard, as this modality enables you to use the images and characters of your narrative to raise customers' awareness of your brand on a subconscious level.

The great thing about using **storytelling** for your marketing activities is that your customers are able to identify with the story and its protagonists or narrator, and this in turn creates the desired emotional bond with your brand.

The concept that all interactions are potentially of considerable importance is borne out by the rapidly growing incidence of customer feedback and **reviews**, increasingly impact (buying) decisions. Shared publicly **customer feedback** concerning both proprietary and competitors' offerings can help you to pinpoint areas where improvement is needed, and to identify the exact needs of your target customers. On both Amazon and eBay, reviews now have a substantial impact on purchasing decisions. Although provider quality is rated according to review tallies and how positive or negative the reviews are, doubt has been cast on how objective such reviews can be. How do you judge reviewing skills, relevance of advice if expections might differ from people giving and the one that use the reviews as advice, and professional services offering rating impact?

The German biological winery **Weingut Hamm** tells its family history and eco-friendly practices not only on its website, but also via winery events and in social media.



Small businesses can potentially benefit from **dispersion effects** via all touchpoints, but to achieve the desired long-term effects, you need to allocate the requisite resources and closely monitor the relevant media. Sustainability triggers such activities, since as public awareness of sustainability grows, the phenomena associated with it will likely take on considerable appeal; plus, you have a better chance of gaining customers for whom sustainability is a prime concern.

The following questions are designed to evaluate and reflect. Gaining a genuine understanding of what makes your customers tick can provide invaluable in-

sights and point the way to important entrepreneurial measures.

[1] Who exactly are my customers and which target groups is it most important for me to reach?

[2] Do our customers represent the actual target groups that we're trying to reach?

[3] Am I in a position to classify and differentiate from each other my target customer segments based on typical characteristics and behavioural patterns, as well as their needs (e.g., elaborate a consumer landscape)?

[4] What can I do to increase and optimize my familiarity with my customers' needs (e.g., try creative approaches such as the use of marketing personas)?

[5] Does my customer relationship management gather and structure all relevant customer data (e.g., implement a CRM system; interfaces to robust data enrichment solutions such as ERP systems)?

[6] Which potential physical and virtual touchpoints do I currently have (implement this information in your customer relationship management system)?

[7] How well do I and the members of my team really know our customers? Do we make a point of reaching out to our customers and do we use all available touchpoints to learn more about our customers and to strengthen our relationships with them?

[8] What could we do to strengthen our relationships with our current customers and with newly acquired ones?

[9] To what extent do our strategic objectives help to cement our relationships with our current customers and to win new customers? Which activities, using which resources and with which spheres of responsibility and in which time frame, arise from these objectives?

7.3 What? – Value proposition

When it comes to attracting and keeping customers in highly competitive markets, it's essential that the relevant target groups be aware of what you're offering, despite the multiplicity of offerings available from the competition. Your brand is far more likely to attract attention if your portfolio constitutes a **unique selling proposition**, or USP. USPs do not necessarily come about based on any particular product attributes but are instead a compelling **value proposition**: a coherent portfolio of offering components convincingly beneficial to customers and satisfying the utility functions.

A **Unique Selling Proposition** (USP) allows to differentiate ones offering from the competitors. From a customer point of view the USP should be framed as a Unique **Value Proposition** in the broader definition of benefit to the customer and emotional value of the brand.

If you want to make sure you're reaching your target customer segments, you'll need to be offering products that are appealing and above all a good fit with the tastes,

needs and desires of the consumers in question. The constituent elements of a value proposition are products, services, availability and access, brands and the customer/brand experience (and story) that deliver the whole sweep of your USP in a manner that meets consumer needs.

7.3.1 Customer-centric offer design

Customer-cenricity is easier said than done. It necessitates to change business perspective and "cross the river" by defining and designing all elements and aspects of a firm´s offering from the (potential) customer perspective. Creating solutions instead of pushing products can be eye-opening when taking the route to customer centricity.

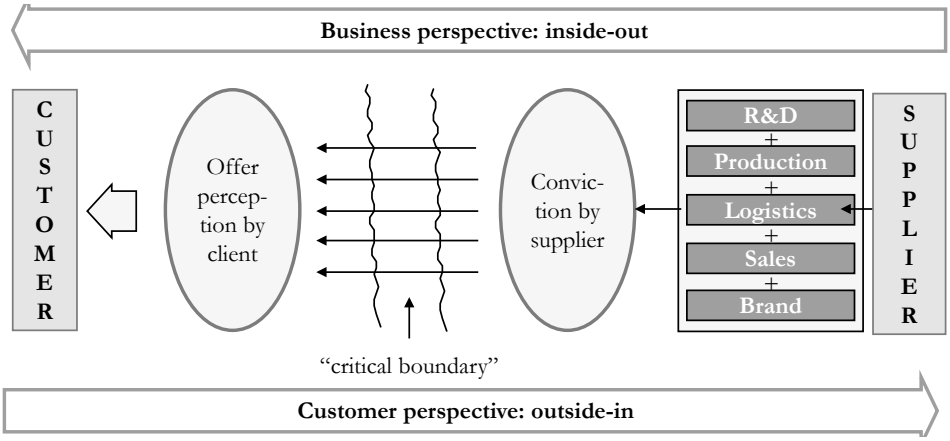


Figure 102: Perception of offerings from the customer's as opposed to the provider's standpoint

The breadth and depth of the assortment determines a key offer element. Both levers can help to differentiate or be attractive, depending on the relevant customer structure, as well as the provider's personal attitudes.

Assortment **breadth** is determined by the number of product categories in a given assortment. Many product categories characterize a wide range, whereas relatively few categories are referred to as a narrow assortment. Assortment **depth** refers to the number of variants of individual products in one or more product categories. Hence a shallow assortment comprises relatively few such variants, whereas a deep product assortment consists of a relatively large number.

The wine section at your local Safeway, Intermarché or EDEKA is likely to be both wide and deep, in that it may carry more than 500 different wine products – which means many variants of a given origin and grape variety from numerous providers. A wine focused retail outlet might be characterized by a more narrow but deeper wine assortment, especially in cases where, for example, wines from a certain region or country are being featured. The selection of a small neighboring grocery store will be less wide and deep, they serve needs for convenient buying behaviour.

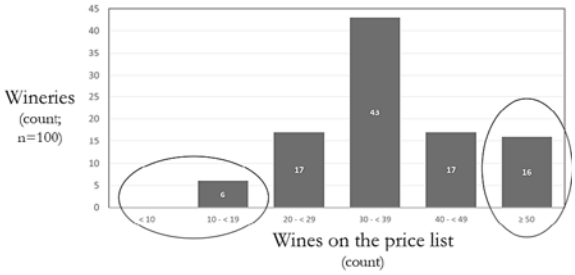


Figure 103: German winery´s assortments (own analysis)

The advantage of an assortment that is both wide and deep is that it enables customers to fulfill all their purchasing needs at a single retail outlet. And this has the further advantage of giving customers something they're always looking for – namely convenient shopping that takes up a minimum amount of time. The advantage of a narrow and shallow assortment is that the customer can see at a glance what there is to choose from – plus this creates the impression in the consumer's mind that the merchant is knowledgeable about wines and has made a judicious selection on that basis. By the same token, the design of a given assortment has a profound effect on sales and other basic economic parameters. For instance, customers perusing a broad assortment will tend to purchase more items in more product categories – a phenomenon known as a **cross-sales** effect. However, a narrow assortment has the virtue of keeping the merchant's costs down; this is known as the **cost of complexity**. This also applies to wide assortments of the same item, a frequent occurrence for many winegrowers. Oftentimes, numerous grape varieties are provided across all quality levels and with various formulas (or versions) and flavor profiles. It is not uncommon to see a winery offering, for a single vintage, more than 50 different wines to which wines of prior vintages are added.

> The so-called **jam study**, which was conducted in 2000 at upscale Bay-area supermarket Draeger's Market, found that consumers were 10 times more likely to purchase jams on display when the number of jams available was reduced from 24 to 6. Less choice, more sales. More choice, fewer sales. This phenomenon, replicated in a variety of product categories, has come to be known as "Choice Overload". (Iyengar & Lepper 2000)

Cross-sales can be triggered by a portfolio that contains synergetic products or services. For winegrowers, ancillary, assortment-expanding products related to the wines themselves (e.g., wine coolers, corkscrews, decanters, non-fiction books, illustrated books and novels on wine and the region) can range farther afield (e.g., household, gift or luxury items such as handbags, scarves, antiques and art).

> "***Delaire Graff*** *is one of South Africa's most renowned wineries, and its luxurious is one of the world's leading destinations for art and fine dining. The Estate also offers outstanding facilities for relaxation in its various lodges and at its fitness center. The facility has a jewelry store and fashion boutique offering exclusive collections for women who love extravagant clothes and fantastic accessories. You're sure to enjoy every second of your stay at Delaire Graff Estate."* (capreo 2020)
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> There's art to be had at the German winery **Weingut Nelles**, as well as something very special: wine ink made from the winery's own grape juice.

As people often give wine as gifts, you might want to consider upping your sales by adding **merchandising** articles to your product range and imprinting your winery's logo on them. This makes your brand more familiar to consumers, while at the same time generating additional income.

Examples of merchandising articles from sparkling-winemakers **Schloss Vaux** and **Weingut Hug**, both from Germany.



In order for a product range to meet the needs and be of real value delivering profound customer benefits, it absolutely must be customer centric.

„We stopped selling motorbikes –
we now offer life philosophy, the bike is for free!"
by Jeffrey Bleustein, chairman and CEO of **Harley-Davidson**. He turned around the fortunes of a company that was going downhill in the 1970s and 1980s. Today, the company is market leader of the heavyweight motorcycle market in the United States, with a 46 percent market share.

Ideally, your product range will be fleshed out for your customers with a valid and communicated value proposition. If adroitly formulated, such a proposition in effect locks in the consumer's point of view, and this in turn ensures that any value being created will be beneficial not only for your company, but for your customers as well.

Nespresso realized dynamic growth in a stagnant coffee markt by a customer-centric revolutionary idea – namely to enable any consumer to create barista-quality coffee consistently and conveniently. This ingenious solution allowed the company to charge high prices for their coffee and triggered impressive growth for the company. The value proposition – outstanding espresso quality with a variety of distinctive flavours, a choice of ready-to brew intensity, easy-to-use, combined with a luxury enjoyment – was fulfilled in the guise of a synchronized offer design consisting of capsules containing pre-measured coffee, vacuum packed to preserve the flavor, innovative highly efficient coffee machines, and fancy designs for all elements (coffee capsules, coffee machines, retail outlets). Nespresso's communications center around a broad range of coffee types and flavors, lifestyle-oriented packaging, and advertising featuring well known celebrities. The company's espresso machines were developed in collaboration with brand leaders and have been extensively patented. Nespresso coffees are sold via direct marketing (online and concept stores) as well as via coffee clubs. All elements are endowed with classy designs that emphasize the excellence and luxurious nature of the product, and the overall concept is in keeping with current lifestyle trends such as convenience and enjoyment. When customers switch to Nespresso, they automatically become loyal customers (lock-in system) and the company's direct marketing provides it with insights into consumers' purchasing behaviour. The additional income Nespresso earns from the high prices it charges compared to conventional coffee enables the company to invest in elaborate marketing campaigns. Criticism leveled at the company for using aluminum packaging has been countered with compensating sustainability measures.

Product range expansion based on consumer needs can potentially benefit from entering into different industries. Will the Apple Car be coming down the pike, as cars evolve into software-controlled mobility products?

"As cars are increasingly resembling computers on wheels, IT companies are morphing into automakers – and as for the latter, they're morphing into software publishers. ***Continental*** *(a German-based global car manufactur supplier) has a staff of more than 20,000 software engineers hard at work on solutions for the automotive industry. And only last year,* ***Bosch*** *(likewise, a German-based global car supplier and household appliances producer) established a software division that employs some 17,000 software developers.*
(Handelsblatt Morning Brief, August 25, 2021)

In this same vein, technological advances, startup entrepreneurship and innovative practical ideas are opening up new application domains.

> The German chemical champion **BASF** also markets pesticides for farmers and nowadays solutions that make farmers' operations run more smoothly: *"Our digital platform enables farmers to streamline their processes and cut costs. The Field-manager-application is a complete tool for planning of all farming activities. It allows for optimal dosing of insecticides at exactly the right moment – and this in turn saves time and money and is good for the environment."* (BASF company information, 2023)

Optimizing product quality is expected and becoming hygenious factor to safeguard customer benefits. In the winegrowing industry, winegrower's state to be overall highly satisfied by products and services offered – there is few air to outperfrom. Increases in added value, on the other hand, translate into greater customer awareness of a company's brand and differentiation from the competition, based on innovative business model revamping that center around target customer segments. These are areas where the wine-industry surveys reflect lower satisfaction and therefore more potential to make an impact. When it comes to implementing a value proposition, it's essential to be less product-focussed but more value-creation oriented.

"We are not in the coffee business serving people, but in the people business serving coffee."
Howard D. Schultz, interim CEO of **Starbucks** (as at 2023)

> What has enabled **Starbucks** to achieve an astonishing success? Well first of all, they do of course make excellent coffee, but actually of far greater importance was their ingenious idea of enabling consumers to enjoy coffee in a relaxed, almost living-room-like setting – plus an innovative approach to serving coffee, and a product range tailored with laser-like precision to its customers' preferences – **a winning offering**. Starbucks isn't just a place you go for a cup of coffee: it's a place you go to drink coffee while you're hanging out. Starbucks' brand is all about convenience and maintaining a high (but utterly congenial) profile for consumers; its extensive range of coffees is secondary to all this. Writing the customer's first name on their cup of coffee conveys personal interest in and closeness to the customer (togetherness), even though the name-writing bit serves merely a logistical aim, namely, to make sure each customer gets the coffee they actually ordered, rather than someone else's. The selection of food items that Starbucks carries is

just the right size to enable customers to see at a glance what's available on any given day. The presentation is also visually appealing, and the quality is uniformly and consistently excellent. Customers who are in a rush can order in advance and pick up their orders at a Starbucks Drive-Thru or at the counter. Starbucks staff are famous for their congeniality and helpfulness.

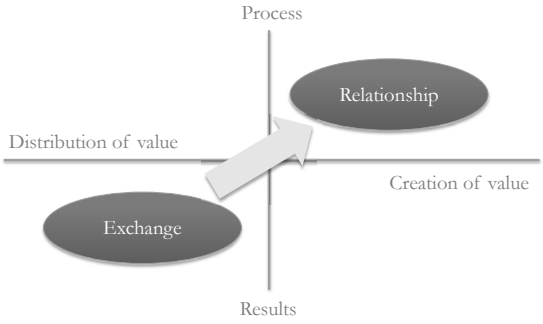


Figure 104: Transformation of value generation (adapted from Grönroos 2007)

Not depending on industries or segments, in order to achieve true customer-centricity, a combination of effective solutions and compelling, efficient services, both based on top-notch products, is essential. Adhering to two key precepts – namely **generating value** rather than distributing it and prioritizing process quality over efficiency – will help you to achieve a relationship-oriented business model for the customers. Airlines that have instituted customer bonus programs (e.g., Miles & More) are able to charge higher prices for tickets, because customers enjoy the amenities associated with such programs (e.g., access to special passenger lounges, priority booking, personalized transfer to the aircraft in a premium car) on account of not only the convenience, but also the status conferred by participation.

Services aimed at promoting differentiation and customer loyalty are also finding their way into product-centric industries. Wineries that provide customers with storage space for their valued wines solve a problem for people who lack such space in their homes. Winery customer clubs in the USA and Canada have proven to be highly popular, for not only do such entities give members discount prices, but also – and more importantly – customers flock to these clubs for their **exclusivity** and the **access** they afford to highly desirable events and the like. Such elements – which include outdoor barbecues with winery owners; access to private terraces with deck chairs; preferential treatment during wine tastings; availability of limited-edition wines – make a paid **membership** in a wine club seem like a wonderful way to be and feel part of an **exclusive community**. This value generating offer components translate into lasting customer loyalty, increased sales revenues, and a greater number of customer purchases, as customers feel like fans at a sports event, or part of a club or team.

"When customers come to visit a tasting room, they have an amazing experience. The primary reason that they join the wine club is they want to remember that time and that moment and what it meant to them." Jessica Kogan, Chief Growth & Experience Officer of **Vintage Wine Estates.** (Carter 2023)

It's essential that everything you put out there – products, services, design, useability, access, additional amenities (such as restaurants or accommodations) are well thought through and meet set quality standards in terms of customer experience and user friendliness. Benefits for consumers can consists in a uniqueness, a great fit, exclusivity, newness, or innovation – but usefulness, ease of operation and convenience are

taking on growing importance. When it comes to customer purchase decisions, enjoyment and the customer experience play a key part, as does sustainability. If you're serious about growing your customer base and making new customers loyal customers, you need to first and foremost realize that today's customers want to feel an **emotional bond** with a product or brand, particularly in light of the rapidly exponential rise in the sheer number and variety of products and services available. **Experience factors** are taking on growing importance, pictures and visual impressions anchor deeply in the brain. Hence more and more of today's consumers desire a genuinely agreeable, enjoyable and even thrilling customer experience, via a shopping experience, insights into production, flagship store memories, events where brands are featured in creative ways of using a given product and innovative product presentations. An experiental value-proposition promises untapped market potential. If product quality optimization and the resulting differentiation have their limits, everything about the customer experience is literally teeming with potential ways to grow your customer base: eight out of every ten companies firmly believe that they offer an outstanding customer experience, whereas only 8 percent of customers view things this way.

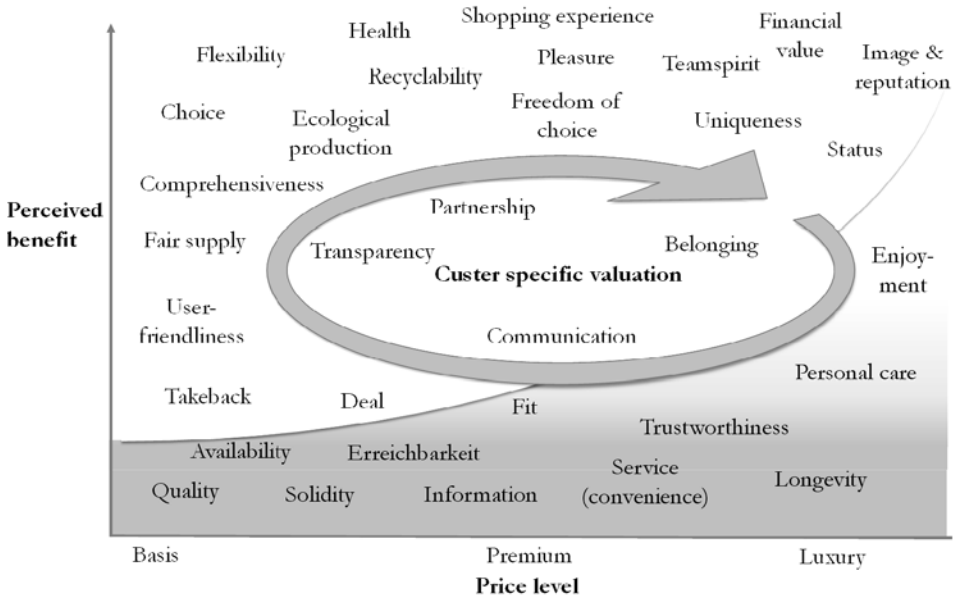


Figure 105: Examples of benefit and value components



Three German vintners (Dirk Würtz, Wilhelm Weil and H. O. Spanier) created a blend of each of their prefered wines, with a view to providing a memorable wine drinking experience to accompany fine dining. The wine's name – **Our New Departure** – says it all. The wine is not available for sale but is instead distributed to selected restaurateurs. The wines are celebrated by the top customers of the restaurants in the course of special

> dinners featuring prominent guests and luminaries and influential individuals from various industries and sectors ranging from former government officials to actors to futurologists.

An analysis of the keywords most frequently used by winegrowers (brand personality determined via website analyses) and of consumer attitudes (brand image as reflected by customer feedback) reveals gaps for differentiation and customer-centricity. Provider communication mainly centers around products per se (e.g., grapes), although consumers clearly indicate a desire to feel an emotional bond with a given brand or product (e.g., enjoyment). The synergy afforded by wine tourism can pave the way to integrated and overarching portfolio augmentation, with a view to meeting customer needs more efficiently and effectively. This can be accomplished by wineries that decide to offer amenities (e.g., fine dining; top-notch accommodations; RV camping; wine cellar tours; hiking; culinary wine tastings).

> As part of the remodeling of its wine boutique, the German wine cooperative **Durbacher Winzergenossenschaft** purchased furnishings that can be readily moved around to create various combinations. It enables a changing customer buying atmosphere, so that steady customers could have different experiences at each visit and thus are motivated to visit frequently.

A well designed and thought through customer experience can have a mitigating effect on **price consciousness**. You need to bear in mind that consumers can and often do go online to compare product attributes and prices. Websites such as Pix (pix.wine), which describes itself as "the world's first wine discovery platform that makes buying the right wine for the right occasion a delight" make reams of price and other relevant information readily available to consumers globally. The great advantage of events that provide a rich and memorable attendee experience is that they're unique – which means that customers can't go online to compare them with anything else. As the press release below shows, vintners in California's Napa Valley say that their priciest wines sell like hotcakes at luxury wine tasting events. **Exclusivity** is a key selling point in this regard that helps to lower consumers' price sensitivity.

> *"Napa vintners say demand for luxury wine-tasting experiences has never been higher, with their loftiest offerings priced at $500 or more selling out record speed. (...) A conscious desire for social distancing may be one factor behind the soaring demand for more private, exclusive experiences, as well as people hankering after once-in-a-lifetime adventures. (...)"* (Neish 2021)

Nowadays, the world to experiences of a company are not any more physically bound. They can be enjoyed from the comfort of customers own homes thanks to the **digitization**. Immersion into virtual reality (VR) is a perception of being physically present in a computer simulated avatar of the reality. VR system create virtual worlds by images, sound or other stimuli that provide an engrossing real-life environment. Both virtual and real-world unique experiences of this nature need to be synchronized though.

> The German online wine boutique **Geile Weine** designed wine purchasing decisions from a customer perspective. Instead of asking site visitors about their wine

preferences right off the bat, the site asks customers to indicate the drinking occasion. Is the wine intended for a visit of the future mother-in-law or for an outdoor BBQ with friends? Customers are guided by an experience approach and also emotionally departed from "making the right decision on wines". Geileweine.de then uses target group-specific email marketing campaigns to offer bundles of wines or seasonal wine specialties with a selection of fitting wines. The company makes direct contact with consumers via nationwide German events. Wines ordered online come with a handwritten postcard from the employee who packaged the goods.



7.3.2 Brands – a key component of your value propositions

Consumer purchase decisions are not only determined by the attributes of the product and/or service but also their attitude toward and perceptions of a company in question – the **brand**. A company shapes its brand image by means of informative, design and/or associative attributes, and via the manner in which it handles all aspects of touchpoints and other interfaces with consumers. Depending on the customer segment of interest to a given company, status related factors and/or brand positioning and consumer perception of a company's brand may also be central to a value proposition.

A **brand** (and the attendant **branding**) should incite something akin to an "aha" moment in consumers' minds, as in "Aha, I know that the product is of good quality" – a moment expected to steer the consumer decision for a purchase from the **recognized** supplier subconsciously. It initially refers to placing the owners name on horses or cattle for identification. Marking a cask of wine with a winery's name or logo is also a literal branding act. Brand connotation helps to enhance a company's image and promotes differentiation and price acceptance. Brands constitute an intangible asset for businesses and are based on trust and the values and expected benefits (e.g., superior quality) associated with the brand. All of this helps to create a powerful emotional bond between consumers and a brand.

Branding helps customers to make purchase decisions, particularly in cases where the customer's ability to judge product quality is limited and quality decision factors predominantly subjective - as is the case with wine. Trust in a brand and in the anticipated quality and customer experience help to reduce the risk of buyer's remorse. Branding can be realized via images, logos, wordings, or marketing stories, for, after all, even small children recognize the McDonald's arch from afar. Brand piracy, a criminal offense, also occurs in the winegrowing industry – which goes to show the crucial role played by branding and **reputation** in the winegrowing industry, when it comes to value creation.

Rudy Kurniawan, Indonesian born, *"(...) managed to counterfeit the world's most expensive wines, including Romanée-Conti and Domaine Ponsot winery's Clos St. Denis. (...) Mr. Kurinawan is known to have counterfeited more than $20 million worth of wine. According to a US prosecutor, Mr. Kurinawan is the 'biggest and most successful*

> *wine counterfeiter the world has ever seen.' (...) Mr. Kurinawan kept coming back to the Romanée-Conti winery, whose vineyard surface is a measly 1.8 hectares and produces less than 6,000 bottles of wine annually. (...) Mr. Kurinawan was so obsessed with these wines that he was nicknamed Dr. Conti.*" (von Hiller 2014; vivino 2023)

Brand strategy in the winegrowing industry is often characterized by homogeneity, as well as a striving for positioning close to the competitors to profit of branded house name recognition: classic design elements and traditional color schemes dominate brand appearance across the suppliers, as well as by homogeneous verbal descriptions of a winery's products on its website.

The designs of your products and product lines will promote brand recognition and brand visibility. For wineries, wine labels are a primary component of product design and branding and can be a decisive factor for consumer purchase decisions since most wines are bough from the shelf where an abundant variety of different products from various producers exist. Customers consumers are either trying to find a label they know (explaining that suppliers strive for homogeneity in their label design) or one they find attractive (an argument to create a differentiated visual design strategy). Comparing Bordeaux and German wine supply, the German wine labels show more divergence than Bordeaux wines, them apparently leaning on the reputed famous wine producers (predominantly white label and gold with red colors) (Celhay et al. 2013).

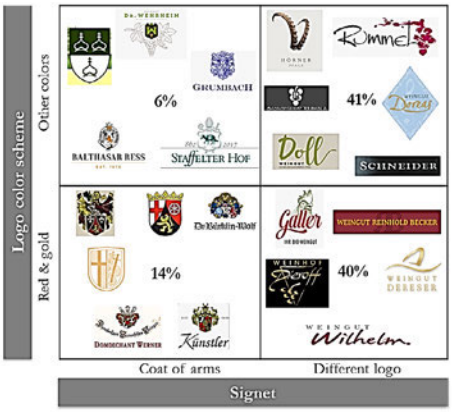


Figure 106: Brand appearence in the German winegrowing industry



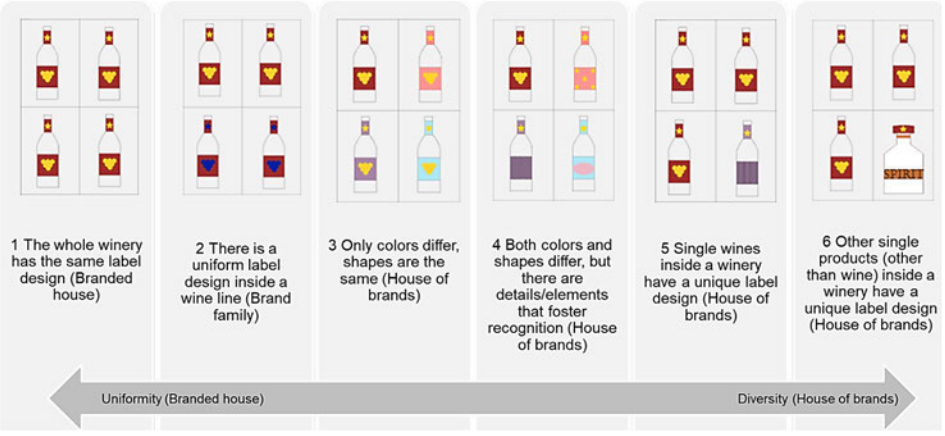


Figure 107: Branding vs. product assortment (Dressler & Paunovic 2021d)

An analysis of branding in the German winegrowing sector revealed that the suppliers opt for a strategy to be "identified but presenting a variety of products" – the labels ressemble but with variation. Obviously, integrating a new or innovative item into the product portfolio motivates the suppliers to create new labels in order to raise the attention. This bears the risk that expanding a portfolio via products that deviate from the existing brand identity can potentially undermine the brand value of the winery in question. Ideally, all aspects of branding should be minutely coordinated with your company's goals, culture and values.

Small businesses are often imbued with the character traits of their decision makers and by the information conveyed by them. By the same token, the online presence of wineries via their websites and social media activities makes their brand personalities and marketing stories an integral part of their identities. For instance, it has been observed that consumers aren't impressed by the technical terms used in connection with high-end Bordeaux wines unless this information is integrated into a marketing story. Brand images thus created, in conjunction with the relevant personal character traits, allow for the creation of brands and the generation of brand images, which can in turn help enhance brand value, notwithstanding the multitude of wine providers in today's industry.

> Excerpt from an interview with vintner **Juliane Eller**: *"You appear in pretty much all photos. How does it feel to be the face of a brand? I've been doing this deliberately since the beginning, because the brand and I are one and the same thing. However, I never imagined that thanks to Instagram, the brand would be associated solely with my face."* (Brinkhoff 2021)
>
> Excerpt from an article about the dynamics of German journalist, TV personality and vintner **Günther Jauch**'s wines being carried by the German discount supermarket chain **Aldi**: *"The labels on Mr. Jauch's wines go beyond merely bearing his name and signature. In order to be sure that consumers realize that he's a well-known TV presenter, a drawing of the high stool he sits on during the game show he hosts also appears on the label. Mr. Jauch makes his Aldi wines with purchased grapes, rather than the grapes from his own vineyard, and the wines are produced in a large wine cellar. But Mr. Jauch nonetheless affirmed his personal commitment to the Aldi wines when they were formally presented. 'I have created a red wine and a white wine,' he stated upon presenting the first Jauch wines."* (dpa / Reimann 2020)

7.3.3 Sustainable benefit and value propositions

You can embody your commitment to sustainability by (a) including ancillary elements such as alternative packagings in your portfolio; (b) slimming down your offering by, for example, discontinuing non-sustainable products or product components; and (c) infusing some new vitality into your communications by emphasizing the sustainability and durability of your products, or pointing out their many uses. The latter should be expressed as a sustainable value proposition. If your products are composed of sustainable materials and/or if you steer clear of low-cost but non-sustainable production methods, then environmental and social sustainability can be used as a price-anchoring persuasion tool.

„Sustainability is more than just a buzzword or trend for me. It's something absolutely essential."
Jochen Dreissigacker, owner and CEO of Germany's Dreissigacker winery

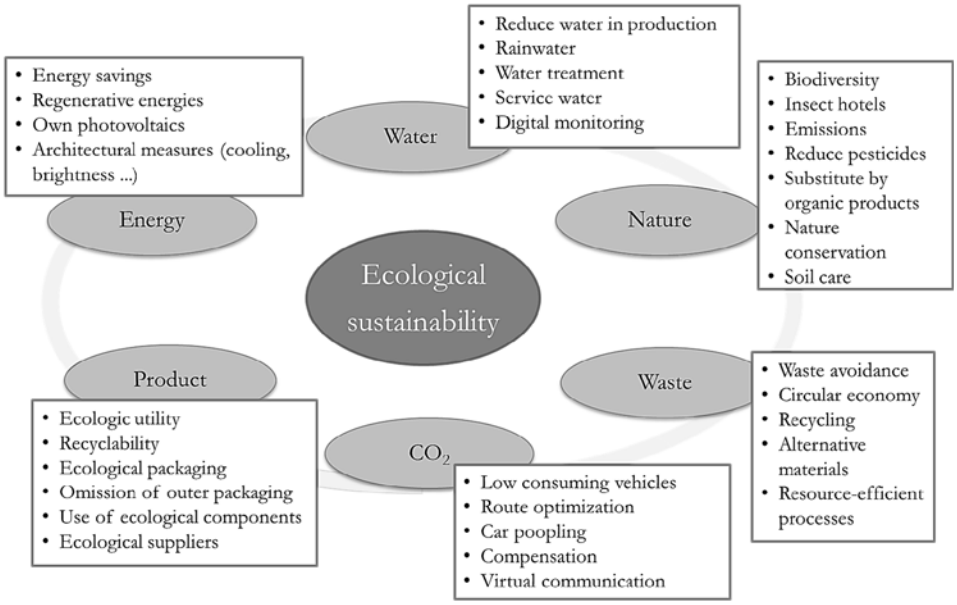


Figure 108: Selected dimensions of managing economic sustainability

> The executives of the German discount supermarket chain **Aldi** have set their sights on instituting an innovative way to sell fresh meat. If all goes according to plan, by 2030 all of Aldi's fresh meat will be sourced from vendors that comply with strict German regulations on animal hygiene and herd health.
>
> Sustainability up to and including alternative packaging: *"The Italian winery **Cantina Goccia** is now marketing wine in a bottle made from recycled paperboard. The **Frugal Bottle** container consists of 94 percent recycled paperboard (...) and weighs up to five times less than standard glass wine bottles, and has an 84 percent lighter carbon footprint; plus, it takes at least four times less water to produce the Frugal Bottle, relative to conventional glass bottles. The Frugal Bottle is also recyclable."* (Neue Verpackungen 2020)

Consumers for whom sustainability is a primary purchase decision criterion tend to be choosy when it comes to deciding which provider to patronize. This phenomenon is attributable to the **implicit trust** that consumers need to have in providers who claim that their products and/or production processes are sustainable. This in turn is due to the fact that consumers are limited in verifying with any degree of certainty whether or not such claims are true. Plus, these claims tend to be compromised in cases where a company that lays claim to sustainability is associated with a widely publicized food or environmental scandal. When consumers talk about a winegrower that they trust and that winegrower's sustainability proposition, then this implicit

trust is a valuable asset. But this also means that the provider in question needs to review and rethink their own performance in this domain. It's vital for such providers to publicize the relevant successes and measures, so as to enable interaction with consumers and keep the relevant processes and measures up to date.

> The Swiss winery **wine estate Schmid Wetli**'s brand profiling is an ideal combination of entrepreneurship and sustainability, with emphasis on family and sustainability: "We are a family business that has always relied on deeply rooted values. This also includes a love of nature and its preservation. We are not only committed to sustainability in the vineyard, because we want our entire system to be sustainable. We hope that the next generations will be able to continue this centuries-old wine culture."

In order for the strategic design of a customer-centric portfolio comprising sustainable value and benefits propositions to work, a series of linked measures must be implemented. You will find that thinking in terms of customer-centricity and concrete sustainability goals, instead of focusing on products alone, will help you come up with creative and future oriented solutions, and at the same time adopt a self-critical attitude. To accomplish this as an entrepreneur, you need determination, room to maneuver, and support, in order to arrive at appealing solutions that are also sustainable; plus, you need to be vigilant about detecting changes in your business environment that might require you to improve your sustainability.

> Blog post concerning the "Rummel Mixture" from the German organic winery **Rummel**: *"This is by no means a blend of Rummel wines but is instead a colorful mixture of the flowering plants from Rummel's vineyards that make their organic wine grapes so healthy. The Rummels package the flowers in small pouches (Rummel mixture) for lovers of organic wines."* (Livona 2021)



The value propositions should be fully consistent with the core elements of all your entrepreneurial activities. Also, all elements of your portfolio should meet the needs of your target customer segment and should spell out your value propositions for your customers. The following questions are designed to help you achieve this.

[1] Which are the components that my offering is made up of (physical products, services, elements that help to create an exciting and rewarding customer experience)?

[2] Which elements of my portfolio meet which needs of which target customer segments? Draw a list of your offering and portfolio (products and services) and question their validity based on a range of customer profiles. In so doing, do you ask which elements might be lacking? Could the clarity and/or user-friendliness of my portfolio stand some improvement? Is there any way

that my portfolio could or should be designed to meet more, fewer, or other needs?

[3] Which USPs do I possess and what are my customers' take on them? Spell out, based on the portfolio overview, the specific benefits that customers realize when purchasing from you, rather than from a competitor. Which wording, graphics, or other element are customers most likely to find persuasive or compelling? To what extent are these elements likely to create an emotional connection between your customers and your brand?

[4] How does my customer´s shopping experience look like and to what extent do each of my various touchpoints help to foster a satisfying, special experience? Do any changes need to be made in this regard in light of the differences in customer profiles? Reevaluated your website design, content and so on, and your social media activities, with a view to determining whether they foster a positive shopping experience in the direct marketing and retail realms.

[5] What is the story that underlies your company and its value proposition? Does this story draw upon and integrate elements pertaining to you personally as an entrepreneur and/or members of your family? Where does your team fit into all this? What contributions do they make? Is anything lacking in this regard? What role do your company's culture, values, activities and brands play? What kind of customer feedback do you get or see about your company? What are the key elements of your company's marketing story?

[6] Is my value-propostion consistent with (a) how consumers see the various elements; (b) how my company presents itself to the outside world; (c) my company's marketing story; and (d) our corporate design and identity?

[7] How could I go about making my company more innovative and sustainable? How would this fit in with any current or impending changes in customer needs, values and desires? Are our value propositions consistent with our sustainability goals and our customers' desire to do business with companies that proactively practice sustainability?

[8] To what extent do our strategic objectives support and help to concretize our sustainability related value propositions? Which activities, using which resources and with which spheres of responsibility in which time frame, arise from these objectives?

7.4 How? – The value of delivering the promises

Business value creation consists in an optimized transformation of goods and services. The way you configure your company's resources and activities, your value chain depth and your partnership concepts are playground when it comes to creating value. **Delivering** the promised value proposition to meet raised and set expectations is not a no-brainer, especially in light of dynamic changes in the worlds of supply and demand. Individualized, sustainable products that are rooted in a fresh look at what makes consumers tick, along with far reaching customer integration and astute partnership concepts, are increasingly achieving success in their respective market segments. The bedrock principle at work here is this: network based, sustainable and

virtual operational and marketing activities are almost foolproof guarantees of success. The hereby generated action matrix safeguards a holistic and customer-centric approach, given that the main purpose of its design parameters is to create value for consumers.



Video link „Customers first thinking“:
https://www.youtube.com/watch? v=GHrqEucWj_U

7.4.1 Company resources

If you want your company's operation to generate value, you'll of course need to avail yourself of **resources**, comprising human capital (the entrepreneur and employees); financial assets; technologies; finances; and infrastructure. The **resource dependency theory** holds that in order to acquire the resources it needs to survive, an organization such as a business firm has no choice but to engage in transactions with other actors and organizations. According to this theory, any given company's resources are finite, and can be divided into basic or not readily replicable resources. Hence businesses need to deploy their resources in an adept, judicious and imaginative fashion. A company that possesses not readily replicable resources – experienced employees, or a proprietary brand, aren't readily replicable (i.e. **intangible assets**) – will tend to enjoy an inherent competitive advantage, whereas if one or more competitors begins using a new technology or device (i.e. **tangible assets**), this competitive advantage may well be nullified. Professional know-how or employees having customer related information at their fingertips count as intangible asstest, though not quantified on the company's balance sheet. The competitive restrictions resulting from business's resources, varies depending on the circumstances. If, for instance, a farmer needs water rights for operational purposes, and if such rights are a scarce commodity, then this creates what is known as a resource bottleneck and can potentially form the basis for a competitive advantage. Another good example is terroirs, whose value can rise or fall owing to climate change. Small businesses are especially likely to benefit from intangible assets as constituent for entrepreneurship.

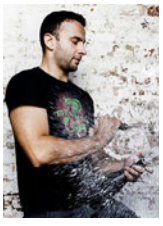
Oenologists Hans-Bert Espe and Silke Wolf, who founded Germany-based **Shelter Winery** in 2003, decided to invest in an optical sorting machine, despite the winery's relatively small size. The reason: the desire to be self-sufficient and avoid having to outsource the winery's key process: *"These two individuals still perform all manual tasks, including grapevine pruning, grape harvesting, wine cellar processes and sales and marketing – although they do hire four or five farmworkers to help with the harvest."* Apparently, the decision to invest into grape scanning and optical sorting rooted in Shelter Winery´s strategy to be independent and not suffer from eventual shortage of skilled labor.

The German winery **Weingut Hammel** leveraged an adroit revival of the classic German wine called "Liebfrauenmilch", a highly successful export product years ago, into a thriving partnership with **Lidl** (a multinational Germany-based supermarket chain). The wine has been highly successful as it is tailored to the needs of specific customer segments and is presented in an appealing fashion. But Hammel has created an intangible asset in the special relationship with Lidl, including PR and continual optimization of the product concept.



In light of the shortage of skilled labor in a number of sectors not only in Germany, **but recruiting has also** become one of the make or break factors of business success. Hence small businesses need to ensure that their human resource (HR) management is conducted in an optimally professional fashion – which also means adopting and implementing persuasive future-oriented strategies. For the fact is that employees want to feel that they're contributing to and are an integral part of their company's success, which is why prospects for growth, a company's reputation and a coherent sustainability strategy are of such prime importance.

If your company is serious about its commitment to sustainability, then it should regard employees not merely as human capital, but also as an essential element of your company's overall performance that makes a substantial contribution to your company's success. Indeed, highly motivated and skilled employees can help to give your company a competitive advantage. If you're a small-business owner, you may not be in a position to excite your employees about working for you by implying that a high rate of growth is in the offing. But what you can do instead is create a **congenial and supportive work atmosphere**, give your employees maximum decision-making leeway, and above all make a point of expressing your appreciation for their work. Making your company's operation as sustainable as humanly possible can also be helpful in this regard, as doing this shows your employees that you care about social issues and social change. You'll find that these kinds of gestures are worth far more to your team than any salary bonuses. Needless to say, small businesses cannot afford to set up their own day care facilities, but there is a lot they can do to make their employees' work optimally family friendly. This can be done, for example by instituting flex time and a family-like work atmosphere, both of which indirectly support a company's sustainability orientation. Worker motivation studies show that an employee's salary or income are drivers of motivation only up to the level of satiety. What's more, even if employees feel they're fairly or well paid, if their work makes them ill, then salary and income lose their allure of beneficence.



The Streits, a family of German entrepreneurs, having identified the market potential of German sparkling-wine, decided to invest and create a winery startup. And so the Streits created **Griesel & Cie.**, buying the former production facility of a state-owned winery. In order to put the startup on a sound footing, it was essential for the Streits to recruit high potential employees for sparkling-wine production and for sales and marketing activities. Successful realization of the Griesel brand was attributable to the fact that the company won Niko Brandner as entrepreneurial chief oenologist. Niko was attracted by a unique opportunity to create a startup, entrepreneurial freedom but strong backing from the owner family. He eagerly built the necessary production infrastructure with for and with the Streits, created outstanding sparkling products, attracted top-notch team members to follow through on their creative impulses; and motivated his team to be an integral part of a successful undertaking. *"I have been with Griesel*

from the very beginning and was able to set up a business all by myself according to my own ideas".

If you want your strategies to be proactively and enthusiastically implemented, then the wisest course is to ensure that your employees feel that they're part of an **entrepreneurial team**. To this end, it's essential that you clearly communicate to your entire team your strategic measures (past, present and future!) complemented by in-service training and conscientious and continual HR management. An engaged, competent team with high commitment and motivation makes the point to turn also your clients into fans of the brand. And this holds true in particular for today's business models, which set the bar extremely high for customer service.

For the German winery Weinhaus **Valckenberg**, employee motivation and skillsets are of supreme importance. They title their HR resources with the claim to possess a "*team of enthusiasts*".



In implementing **Schloss Wackerbarth**'s strategy to be a unique world of wine experience and an exciting place to enjoy and learn about fine wines, the winery's staff has taken on board the strategy's three prongs (the winery as an exciting and rewarding wine tasting experience; objective benefits; and customer-centricity), in addition to both professional and in-service training. (Schloss Wackerbarth 2021)

*"**Rivian**, a company specializing in off-road electric vehicles (EV), displays tow vehicles in their flagship brick-and-mortar location in Venice, Los Angeles. The rest of the facility looks like a modern community center with library, open air spaces, and events often with nothing to do with cars. The facility is designed to inspire and educate people. Polestar, owned by Volvo, also sells EV. Their "sales rooms" resemble the lair of a discerning Bond villain, colours and material samples are idsplyed in chrome drawers and walls with artfully framed photos of the cars´ components. Sapes like an art gallery where cars are the exhibits."* (Rees-Sheridan 2022) Obviously, experience worlds serve to substitute classic salesman and showrooms as intangible resources.

If you want to be sure to reach your goals, you need to bear in mind these three key entrepreneurial factors: setting an example (i.e. practicing what you preach); determination; and logical consistency (logicality). When it comes to getting your message across, it's extremely helpful if you yourself embody the propositions and values that you've put out there. If you're genuinely determined to achieve what you've set out to achieve, then you'll need to be open-minded (and open to change); have the courage to make decisions without undue second-guessing or nail biting (and without acting rashly); avoid being a pushover (having the courage of your convictions is helpful in this regard); be respectful and implement a **culture that allows mistakes**. Without, entrepreneurship, flexibility, and agility in the organization will suffer and suppress its convictive power.

Hagen Rüdlin, CEO of the German cooperative winery **Markgräfler Winzer**, showed determination in his quest to reposition the cooperative. To this end, he performed radical surgery on every aspect of the organization, including its brand

image, production and operational processes. His implementation of quality measures was concrete and logically consequent: caps on grape yields but operational quality measures such as specifying the stick spacing, clones to be used, and vine density for new plantings. Mr. Rüdlin participates in the autumn grape acceptance process and rejects grapes that have been inaccurately sorted. *"You've simply got to set your compass to where you want to be headed, formulate ambitious goals and include in your journey everyone who shares your ambitions."* (Sautter 2020)

If you want your brand and market positioning to have the desired impact and have real presence for consumers, then that positioning and the attendant brand image should be **consistent, unified and harmonious**, i.e. all of its various parts should intermesh smoothly and your management team should be on board with this as well – which means they need to convey and bring home the lived experience of the relevant praiseworthy values.

Video link "In the mood for Müller," from the German winery **Weingut Hammel**: https://www.youtube.com/watch?v=B_JR_Qso7cE

If sustainability and innovation are prime concerns for you and your organization, it's essential that your management team visibly commit itself to achieving sustainability, institute more innovations in the interest of increasing your company's sustainability and communicate these activities on an ongoing basis. Your chances of achieving success in this regard will be greatly enhanced if you involve your employees in these efforts and encourage them to initiate their own innovations and **improvements.**

The German winery **Staatsweingut Meersburg** counts as a pioneer in the realm of strategic sustainability by virtue of having been one of the first German wineries to obtain certification, and the first ecofriendly winery in the German state of Baden-Württemberg. The winery's sustainability measures also include proactively encouraging employee input by, for example, incorporating a mechanism for **employee suggestions** – a veritable milestone in the company's sustainability report.

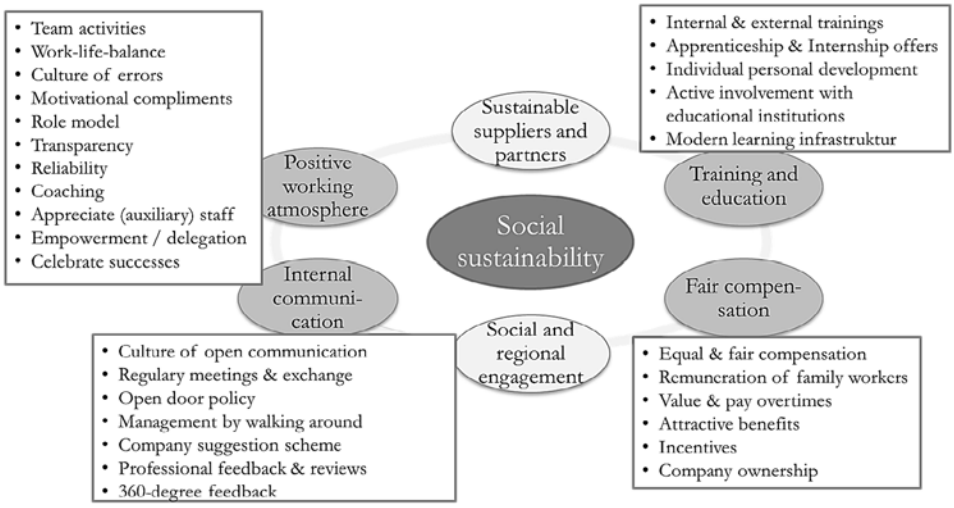


Figure 109: Selected dimensions of social sustainability via human resources management

In order for a company to reach its avowed sustainability goals, it needs to create a business culture in which the company's entrepreneurs and staff form a unified team. As for achieving social sustainability, your company of course needs to institute sustainability that constitutes a genuine good for society at large – but also significant in this regard is creating a supportive and **employee-centric workplace** atmosphere. This concept is supported by a recent study, which found that nearly one out of every two (43 percent) of German companies regard human resources as an area harboring great potential for a company to improve its performance on sustainability.

Human resource management is emerging as an essential lever of quality control and quality management, especially when it comes to potentially controversial or divisive social issues such as gender rights, inclusion, equal opportunity and so on.

7.4.2 Cooperation and partnering

Every link in the entrepreneurial value creation chain should contribute to your company's goal of achieving comprehensive sustainability. The sum total of a company's value creation activities is commonly referred to as the **breadth and depth of value chain coverage**. When, in the early 20th century, Henry Ford founded the Ford Motor Company, the organization itself generated the lion's share of its value by dint of extremely wide and deep proprietary production. In other words, in the early days of the auto industry, automakers even manufactured their own screws and bolts, fearing that outside providers would be unable to meet the exact specifications required. It was this fear, and the related desire to make vehicles of superior quality, that prompted automakers of the time to produce every single element themselves – which also included undertaking the requisite iron ore smelting on site. If this management paradigm were applied to today's cars, it would result in production processes of nearly unfathomable complexity, as upwards of 10,000 different parts go into the making of each and every vehicle. This is why today's management paradigm is predicated on the principle that work processes should be **outsourced**, so as to limit the number of proprietary elements. But in the final analysis, it all comes down to determining exactly what constitutes value creation as a **core competency** in the company in question.

> The wines produced by the venerable Spanish winery **Muga** are much in demand. Muga employs a master cooper and three in-house barrel-makers, to produce its own aging and storage oak barrels – an unusually high level of vertical integration for the winegrowing industry. As a rule, winegrowers buy, rather than produce, their wine barrels, in many cases from multiple providers, based on detailed specs. Barrel manufacturers of high repute sell to wineries all over the world. They also have extensive expertise in the manufacture of wooden barrels and access to the coveted types of wood needed to make the barrels. "*The two most key variables for wine making are time; and barrels that are toasted just right*," says winery and CEO Issac Muga. Making their own barrels is a tradition of long standing at Muga, but nonetheless still deeply impresses visitors to the winery. Promoting regional value creation by using regional timber is also very much in keeping with the tenets of sustainability.

Business model boundaries are anything but etched in stone. In France's Bordeaux winegrowing region, wine retailers have always enjoyed a considerable amount of market clout. In the past, these dealers would make their own wine using grapes pur-

chased from local winegrowers. By the same token the German wine known as Lübecker Rotspon is thus named because, contrary to today's obsessive focus on sales and logistics, The wine dealers of Lubeck, a city at the coastal area in Germany with long tradition of trade, where Lübecker Rotspon is from, have traditionally done their own winemaking, based on their perception of the intertwining of wine per se and related process steps – a relationship that nowadays is taken for granted to be core of a winery. The **blurring** of business model boundaries is also evidenced by the partial dissolution of the classic tripartite division of German wine production into cooperatives, independent winegrowers and wineries. Some wineries have taken to seeking greater growth by increasing the proportion of bought-in grapes they use, and from which they make what are known as branded wines, whereas other wine vendors acquire premium wine providers in the interest of achieving market positioning that emphasizes winery attributes.

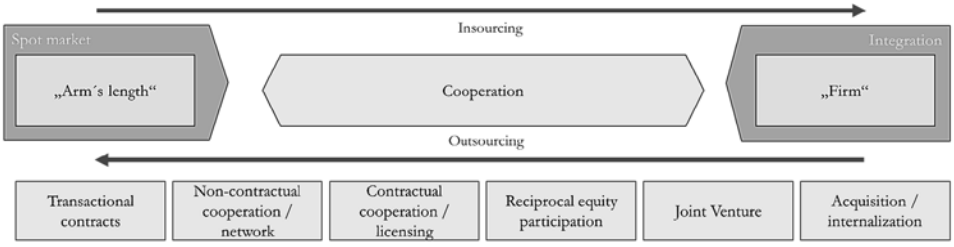


Figure 110: Scope of intra-company interactions (adapted from Dillerup & Stoi 2016; Olesch 2003)

Cutting back on proprietary value creation through **outsourcing** has the virtue of streamlining the processes in question – plus third-party providers tend to have extensive expertise. Doing business with them can be highly advantageous if a number of businesses outsource their activities to an organization that hereby realizes substantial economies of scale. Although greater **flexibility** for the one outsourcing activity is in principle a good thing, it can result in greater **dependency** on the third party providers that come into play. And if such providers are unable to make good on their delivery commitments, this can result in production coming to a standstill – as the series of 2010 volcanic events in Iceland and the border closings during the height of the Covid crisis showed, calling a stop to car production in Germany in lack of parts produced by suppliers in other parts of the world. Trade unions have been known to take advantage of their employer's networking and dependency attributable to weaker vertical integration, by calling strikes on small companies that are key links in the supply chain: this strategy had far reaching implications with production stops but the unions only needed to pay strike money for few members.

Once a company has realized that a particular upstream or downstream activity is vital to its existence or can potentially generate considerable value in the relevant processes, it might seem expedient to undertake **forward or backwards integration**, substituting spot market exchange by taking over ownership. Small businesses with limited resources often lack financial resources for acquisition-based integration. Their interest to reducing complexity without integrating businesses can be satisfied by entering into cooperative arrangements with partners. Joint ventures enable you to expand room for maneuver.

Wine is now available for purchase at the wine boutique of the German wine retailer **Ludwig von Kapff**, on the grounds of the leading German sparkling wine producer **Rotkäppchen-Mumm** – the result of Rotkäppchen-Mumm having acquired Ludwig von Kapff in 2018 from **Eggers & Franke**. Thus did this sparkling-wine producer realize forward integration, in the interest of market access in B2C business.

Cooperation is a voluntary collaboration of independent companies often for a limited time. On a continuum with one pole of purely market-based exchange, where the partner can be exchanged for each new transaction, and on the other pole internalization in form of inhouse production, a variety of institutional cooperative arrangements exist.

There's a broad consensus in the literature to the effect that business organizations are increasingly morphing into so called **virtual organizations**, in order to quickly adapt, to rapidly seize opportunities, and to keep in step with the dynamic changes unfolding in their environments and ecosystems. This trend depends heavily on cooperation and networking, where partnerships vary in intensity, duration and tend to be chosen based on a number of variable, oftentimes including situational ones.

"Only as a partnering team of winemakers and dealers can we inspire our customers."
Statement made by a member of the board of Hawesko AG,
a German purveyor of premium wines and champagnes

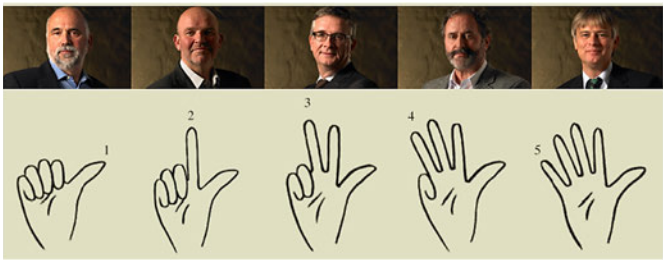
The geographic growth constituted by French champagne producer **Bollinger**'s acquisition of **Ponzi Vineyards** in Oregon was based on an internalization measure whereby instead of entering into a (putative) partnership or using bought-in grapes, the company opted for an acquisition with a view to competing with the market leader Moët Hennessy. The Tuscan winery **Ornellaia**, however, opted for cooperation, and decided to break into the US market by joining forces with the Napa Valley winery **Dalla Valle**.

A distinction is made based on the value creation stage that the partners individually cover determining three types of cooperation:

- **Horizontal cooperation**: both partners cover the same value creation stages and can thus potentially compete against each other outside the scope of the cooperative arrangement. Horizontal cooperation for example can be realized by a group of vintners sharing a booth at a trade show; exchanging experiences and their takes on various aspects of the winemaking business; or via joint marketing.
- **Vertical cooperation**: the partners are in a buyer-seller relationship.
- **Lateral cooperation**: the partners' value creation modalities differ, and their activities take place in differing industries.

The German entity known as **Five vintners, five friends** represents horizontal cooperation in their own words: "Five individualists draw their strength from close cooperation and open discussion among friends". Five befriended winery owners

in the southern palatinate in Germany developed their wineries to become reputed top wineries in parallel by constant exchange, joint activities, and mutual motivation.



Fritz Müller Perlwine is a German semi-sparkling wine, serves as example of vertical cooperation. A vintner and a wine dealer jointly developed via an astute melding of skillsets – namely the dealer's market access with the winery's manufacturing expertise.



Multiple lateral competencies being combined with each other is illustrated by a champagne house joining forces with a luxury-goods manufacturer: **Dom Pérignon** and **Bvlgari**, which featured an ad where a jewel necklace was draped around a bottle of champagne.

Since 2021, **Dom Pérignon** and **Lady Gaga** have engaged in a correspondence of universes that has interfused their aesthetic ambitions. Their shared vision on the act of creation materializes in a new campaign and an artistic performance. For Lady Gaga, this pursuit is driven by a desire to always cross boundaries and experiment with new art forms, never settling on what it means to be a music artist.



Although the impetuses for such cooperative arrangements will of course vary on a case-by-case basis, in order for the advantages of such undertakings to be realized, they need to be managed attentively.

Founded in 1991 by seven women professionally engaged in the southern wine region of Baden in Germany, **Vinissima** is, according to the organization's website, "the first and only German association of women in the wine" *"One of the main impetuses for the founding of Vinissima was the fact that women were so woefully underrepresented in the German winegrowing industry. We now have more than 600 female wine-industry members, who engage in extensive and lively networking with each other about all aspects of the wine business."* (Vinissima info 2023)

A professional network comprising numerous enterprises and members jointly engaging for an idea or positioning is known as a **cluster**. Porter cited the California winegrowing industry as a prime example of the strategic value of clusters where actors from various insititutions and coverage of the value chain in an industry within a given geographical area collaborate proactively regardless of eventual competition. The great advantage of clusters for their members is that concerted action opens the door to participation in the activities of all cluster members, generates economies of scale, and enables all and sundry to learn from the successes (and failures) of their

fellow participants. This in turn has a positive impact on the reputations of all members, and in particular can engender collective reputation. Porter explains the success of the Californian wine region as a result of a cluster initiative, strongly led by the legendary Californian wine entrepreneur **Robert Mondavi** (1913-2008).

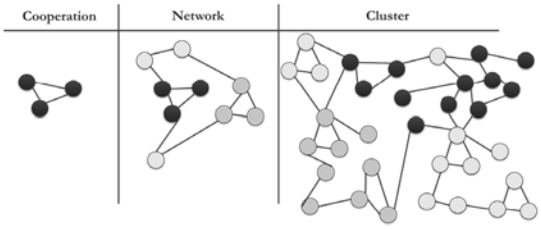


Figure 111: Illustration of cooperations and clusters (adapted from Porter)

Joint branding creates bonds amongst cluster members, while also reducing their operational leeway. This can, however, result in market actors not actively involved in the cluster benefiting from the cluster's positive effects without making any particular effort or expending any of their own resources via capital investments, advertising and so on – called "**free ridership** problem". For products strongly differentiated on region or origination, such as wine, the industry is committed to promoting export sales and establishing a joint profile in the country's various wine regions. Champagne is a benchmark in their cluster efforts and promotional activities to market the regional origin as luxury value. Establishing networks counts as a key success factor for individual businesses, as well as for collective efforts.

Social sustainability can best be realized and communicated in joint and partnering efforts.

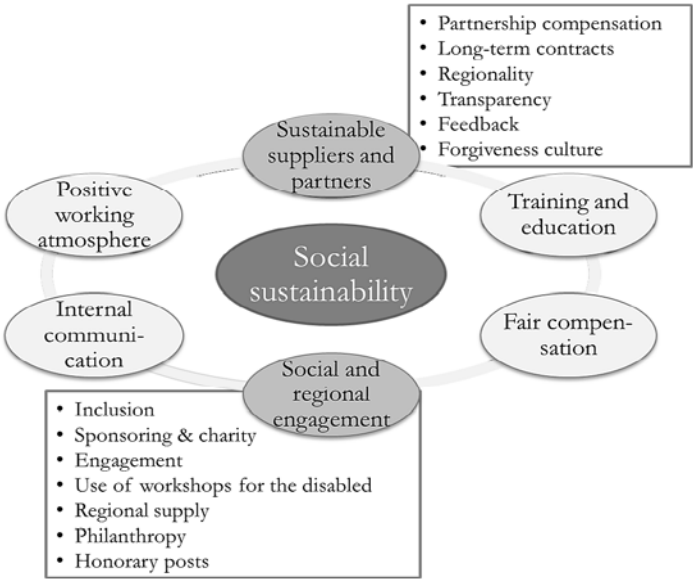


Figure 112: Selected aspects of managing social sustainability

In order to be sustainable, all partner businesses as well as vertical exchange partners need to be assessed by a close critical look at the other company's portfolios and their tenets of **transparency**. Forced labor, child labor, exploiting workers via low pay,

unsafe working conditions are not sustainable and if suppliers or partners are involved in any such practices it will do harm to brand manufacturers. It's for this reason that **supplier management** and the related goal of **sustainable outsourcing** is so vital for outsourcing production abroad, or if products are outsourced to providers whose transparency is lacking – for example when providers subcontract their orders to a raft of small businesses.

> Company press release: *"**Lindt & Sprüngli** has reached an important milestone with its own Farming Program for a transparent and sustainable cocoa bean supply chain: 100% of cocoa beans are traceable back to the farmers and externally verified."*

Choosing partners on the basis of them being certified for sustainability can help to ensure their sustainability. Digitization via blockchain technology, where all involved actors can be traced, is also a good way to achieve seamless monitoring of outsourcing activities.

7.4.3 Active clients and customer involvement



The traditional boundaries between the manufacturers and consumers are well on their way to extinction. **Provider process steps are now increasingly allocated to customers**, also thanks to creative business model design and often information technology. Supermarkets are a prime example of this transformation everybody experiences with **self-services**: customers pick their products and increasingly check-out by scanning all wished articles at the barcode cashier without help of supermarket employees. Hence the customers perform activities priorly done by staff of the supermarket. Checkins at airlines or rental car agencies are far more streamlined and straightforward than was the case even a few years ago. Passengers now check in online or at terminals to their flight, not interacting with airline personel. Rental car customers obtain the keys to their vehicles in safes based on a scan process of their mobile device. A mortgage application in a bank realized online frees the financial institution of processes that in the pre-digitization era involved the use of extensive bank resources – a considerable contribution in cost savings and optimized process quality. These digitized processes avoid data entry errors and ensure that information submitted by the customer is complete – because in the reverse case, the provider's system will refuse to accept the application and, in most cases, will tell the user which information they have omitted.



> Video link: **Food Trend Transparency** – How Consumers Become Prosumers – YouTube: https://www.youtube.com/watch?v=6Plrk_TkYNw

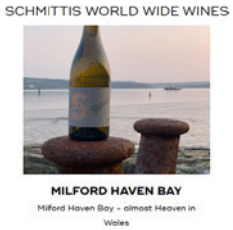
> A **prosumer** is a con**sumer** who becomes involved in processes formerly being performed by the **pro**ducer. Such active clients are involved in the former producer´s sphere of activities and increasingly are enabled to individualize the products thereby (e.g., designing or customizing products for their own needs).

> This is what the German winery **Winzerhof Ernst** has to say about their wine vending machine: *"Our wine vendoring machine is available to customers after closing hours. To purchase wine from the machine, you'll need a credit card plus your ID to make sure you're of drinking age."*

Business processes that involve **active customer participation** stimulate sales and lead to new forms of touchpoint management. When consumers surf online, **purchase recommendations** frequently pop up based on ones search and purchasing

history. **Amazon**´s recommendation for other customers´purchase portfolio ("the people who bought this product also bought the following other items") represents a convincing sales logic: Sales can be boosted by astute implementation of the concept that customers with similar preferences can provide other customers with better and more objective advice than a salesperson who will be mainly guided by his own personal tastes, know little or nothing about the customer, or who may push products on which he earns a commission. Thus, do consumers become a resource for both sales and marketing. Indeed, **recommendations of users** and clients have become a reliable source of information and steer the buying decision, especially in the tourism industry. **Privately organized sales** events (e.g., Tupperware, Themomix, Avon) where the host invites friends and family to present a product portfolio are still highly successful, the prevalence of digital media and online sales and marketing notwithstanding. Such events are combined with viral marketing whereby consumers disseminate information about a product or brand to a substantial number of potential customers. Social networks and related media enable groups of friends to interact with each other with just a few mouse clicks. In addition, brand marketers increasingly integrate consumers with their innate creativity in product development.

> Under the rubric Schmittis Worldwide Wines, customers of Germany's **Egon Schmitt** winery are happily seizing the opportunity to share photos from their wine consumption experiences of Schmitt´s wines in some of the world's most picturesque spots. Conveying these experiences with pictures makes for especially personalized customer **testimonials**.



You can reduce your operational costs by outsourcing selected process steps to customers, with additional advantages: (1) It helps foster a higher level of customer loyalty in that customers carrying out these tasks for your company will cement their identification with your brand; (2) It's consistent with the self-realization trend now sweeping the civilized world; (3) Such measures help to stimulate demand for new products in that future users are incorporated into the product development process. (4) You avoid the cost and uncertainty of hiring market research agencies. (5) Business models that are updated by customer involvement open up possible new revenue streams owing to the creation of new products or offer components.

Activating consumers can also fuel sustainability and increase customer loyalty. Customers paying your winery a visit to **return empty wine bottles** works to the benefit of both sustainability and customer loyalty. Prosuming activities allow you to gain more insights into your clients and tailor your offerings to your needs. It furthermore provides the opportunity for lock-in processes since customers once they have adapted to a system are reluctant to change. Efficient processes are furthermore saving resources and hence are more sustainable.

Mara Walz from the German **Walz** Winery uses customer activation as a way to increase the winery's sustainability: *"Sustainability begins with small gestures. Which means you're more than welcome to bring your bags, boxes and so on along with you when you visit our winery. Or alternatively, you can bring back any red plastic crates we might have given you, as this will save us a lot of cardboard boxes."*



7.4.4 Ensuring availability and access

The precondition for generating revenue from your products and/or services is that they are not only sold but **provided or delivered**. Thus, marketing and sales also has to lay a winning infrastructure with finetuned activities and systems that enable goods or services to be made available to customers or end users. **Direct sales**, as the term implies, involves direct contact between the vendor and end customer via a modality such as an own (online) shop, whereas **indirect sales** involves (likewise as the term implies) an intermediary such as a dealer or retailer who has a vested financial interest in making a sale. Indirect revenue can potentially enable you to expand your business reach. If you sell your products or services via indirect marketing channels, then you will need to **compensate the intermediary** via a commission, lower prices or the like, while this will cut into your profits, you may be able to increase your sales volume.

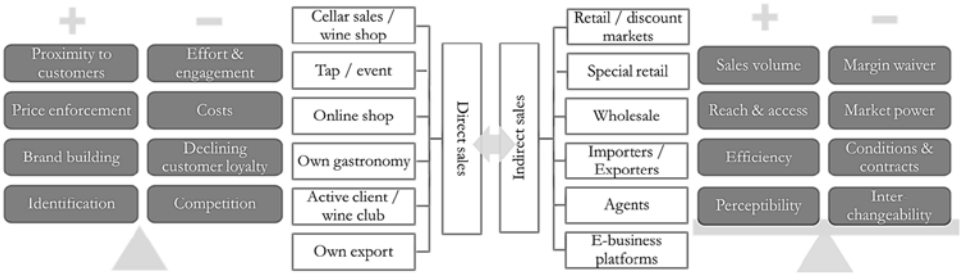


Figure 113: Direct versus indirect marketing in the winegrowing industry

Sales effected via multiple marketing channels help to increase sales and diversify risk – but also require multi-channel management via astute coordination of supply, prices and marketing.

Adidas, a Germany-headquatered global sportswear and workout chloth brand**,** is striving for marketing ubiquity. To which end it is also stepping up its direct marketing activities by opening new online stores, Adidas bricks and mortar retail outlets and Adiclub. Some of the branches of Adidas's retail network were realized for the express purpose of providing a vivid brand experience. These flagship stores help to strengthen customer loyalty in that they promote direct contact with customers, and provide space for elaborate, adroitly designed product displays and the attendant brand experience. According to Adidas, it is ramping up its direct marketing with a view to (a) ensuring that its products are readily available; and (b)

helping to ensure that customers purchase genuine Adidas products, rather than knockoffs.

Mobility and **rising consumer expectations** pave the way to finding creative ways to reach your target customer segment. **Wine vending machines** make it possible to sell wine after closing hours, which can be highly advantageous given the fact that wine is predominantly consumed in the evenings. **Wine clubs** meet customer needs for convenience and a sense of belonging. When wine vendors send customers non-binding personalized wine shipments, the customer is saved the trouble of going to a store – plus receipt of the package brings the provider's brand to the customer's attention. For winemakers, this marketing instrument provides a reliable and predictable revenue stream, which is highly appealing from a profitability standpoint. The great virtue of **wine delivery by the winery itself** is that take an effort to meet the consumer. Optimized logistics is also a relevant aspect in your sustainability ambitions. Indirect marketing entails unpacking **boxes**, time consuming and environmental harming **product returns**, warehouse storage and so on. Hence direct marketing provides opportunities for the provider to create value and improve their sustainability.



The three-wheel mobile wine boutique operated by the German winery **WeinGut Benedict Loosen** fosters close up and personal customer contact.

Direct sales and marketing, which held sway for many years in the German wine industry, was gradually supplanted by **multi-channel sales**. Indirect sales are largely driven by the purchasing behaviour of today's consumers. Consumers' desire for **shopping convenience** and efficiency is best fulfilled by one-stop buying. Retail, malls and supermarkets expanded their offering and offer varietey in the outlets so that one-stop shopping can become a reality – also illustrated by Amazon´s massive expansion from books to a breadth and depth of goods assortment. As a result, the intermediaries gained in market power and regional, national, or international coverage. If a vendor wants to market with the retail players, they need to be able to provide large amount of goods and meet the strict terms of conditions of the sales partner. If obligations to deliver certain quantities of goods to indirect-marketing partners guarantees higher sales, such arrangements also reduce the vendor's flexibility. **Walmart**, a nationwide discount market in the United States, for example is known to ask for a commitment to get best purchasing prices from the suppliers of whatever good they are selling in their outlets. Contractual obligations toward retailers often prove to be less appealing because of their market clout and of their purchasing representatives being well versed in the art of negotiation. It is of course vital that the deliveries mandated by supply contracts be fulfilled, lest the manufacturer incur contractual penalties or other financial disadvantages. This holds true in particular for providers whose productivity tends to vary and not readily replicated: For winemakers, whose production volumes are often largely determined by weather unpredictability, serviceing retail contracts eventually needs to be prioritized in order to fulfill contractual delivery obligations although these sales might represent a less profitable marketing channel.

> *"**Molitor** wines at* [the German supermarket chain] ***Lidl**: Any conversation revolving around who is the German Mosel region's best vintner, is unthinkable without mentioning the name of vintner Markus Molitor. And now Mr. Molitor has shocked the German winegrowing industry by partnering with the discount supermarket chain Lidl – for which he created an exclusive brand, »Composition M«. 'We regard this partnership as a unique opportunity to familiarize a broad swath of consumers with our winemaking philosophy and our portfolio as a whole – and with the same high exacting standards when it comes to character, taste and individuality that wine lovers find in all of our wines.' Molitor feels that the supermarket sector has steadily taken on greater significance in recent years and that the quality of the products carried by supermarkets has greatly improved. It was Lidl's wine professionalism in particular that convinced Mr. Molitor to now start a cooperation with them."* (press release)

Multi-channel marketing and engaging with **new marketing channels** is intended tofoster sales in light of a changing external environment. But of course, multi-channel marketing also means **greater complexity** and involves increased effort and expense for the provider, as consumers tend to use multiple channels concurrently. Such marketing can also result in consumers morphing into competitive providers by virtue of being offered a range of different suppliers for the so far sourced good from their beloved brand as the competitors might be more experienced in such indirect sales contracting. Retailers normally adapt their portfolios to changes in customer wishes, such as the desire for convenience. This can be accomplished via online stores, drive-through outlets and home delivery services – potential substitutes to diminish the attractiveness of your direct sales efforts. In addition, retailers are in competition and see **premiumization** of their offering as a potential way to nurture attractiveness by means of shop in shop concepts, an exciting and rewarding customer experience, or by adding value to products. Market actors need to design their business models with multi-channel management and marketing strategies firmly in mind.

Marketing and especially the sales reps are the key to effective, **value-creating touchpoints**. As customers become ever more diverse, their expectations rise, competition grows stiffer almost daily, and new technologies open up new marketing opportunities, providers are seeking ways to expand their marketing activities in order to access consumers more readily. Such trends are both a challenge and an opportunity for marketing and sales choreografies.

> The discount supermarket chain **Aldi**'s pop-up store has created a new kind of exciting customer experience.



If you're serious about fostering productive interaction with consumers, you'll need to manage all touch points – both the classic and modern ones – with consummate professionalism. In this regard, the design of your retail spaces and your sales process per se is vital – every bit as important as having a superb website. For bear in mind that oftentimes consumers use website merely to obtain information, whereby this initial touchpoint often

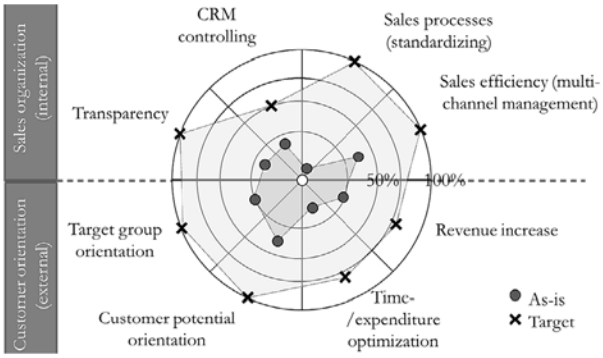


Figure 114: A holistic approach to sales

forms the basis for a genuine customer relationship. Flyers and email newsletters remind consumers that you exist and can potentially prompt recipients of such communications to make a purchase or recall your brand and create a positive image of your company. The growing importance of **social media** has placed customer relations management in a new context that exceeds the bounds of mapping the consumer journey and interaction in digital.

Social Media Marketing describes marketing measures through interactive technologies for creation and sharing of information, ideas, interests, and other forms of expression. "Social" characterizes the user's desire to network, to form a community, to exchange information with one another, and to create and share media content. "Media" represents communication via digital media and platforms (e.g., Facebook, Twitter, Instagram, TikTok, and more). Social media illustrates a transformational use of the Internet from its original primary consumption as an information base (Web 1.0) to participation as medium for creation (Web 2.0) and first steps of virtual worlds and useage of Artificial Intelligence (AI).

Social media marketing is creating a whole new virtual context for consumers' use of services, buying behaviour, information processing, consumer expectations, and the design of all interaction with the clients. To meet this challenge, you will need do more than just offer your customers interfaces that are in sync with social media: you will need to establish a distinctive, **individualized online presence** in order to position your portfolio, brands and company. Likewise of crucial importance in this regard is monitoring consumer attitudes toward your brands in social media, including in cases where you have limited control over the factors that influence those attitudes (e.g., the fact that negative or inaccurate customer reviews cannot be deleted). Multichannel marketing, customer-experience design and consumer expectations should be coordinated via touchpoint management.

Touchpoint management is the key factor when it comes to shaping, managing and monitoring the **customer journey** across the entirety of the **customer life cycle**, from initial contact to purchase decision to after-sales contact. From a process standpoint, all interaction options, whether it be information, contacting, needs fulfillment or after-sales service support should be designed and synchronized via all available interfaces (e.g., websites, point of sale) and partner interfaces (retail purchasing).

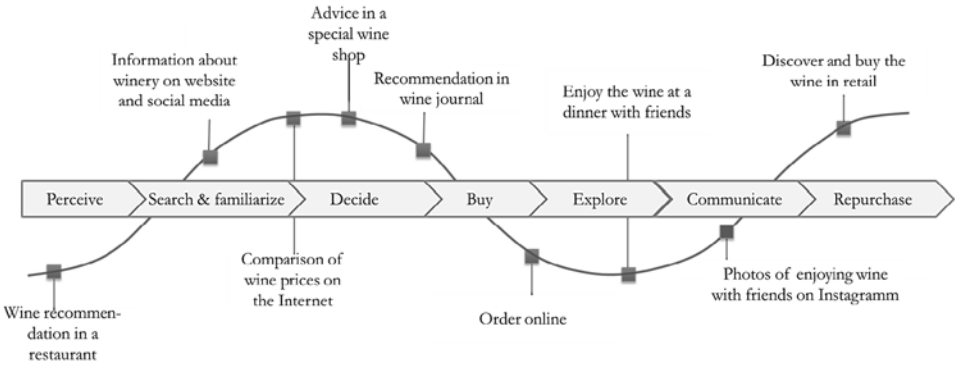


Figure 115: Customer journey: wine

The management and number of **interfaces** fielded by a company determine the performance quality of its customer interaction management. It is becoming increasingly frequent for potential and existing customers to exchange information via various online platforms prior to making a purchase decision. The nature and quality of your customers' shopping experience are largely determined by the shopping venue and situation. Inasmuch as consumers often describe their shopping experience online, it behooves vendors to (a) try to shape the processes that go to make up the shopping experience and consumers' perception of and attitudes toward them; and (b) track consumer feedback in this regard. It's furthermore advisable to ensure that all aspects of your touchpoints, brands and products are factored into the design and operational implementation of your customer relationship management. This applies not only to bricks and mortar retail venues (e.g., wine boutique, store, restaurant) but also to every aspect of your online presence (website, social media, email-marketing, virtual worlds) – a factor that has taken on growing importance in recent years.



Figure 116: Strategic sales approach

> Forbes presents *"... the World's First Web3 Winery, Membership Club, Driven By Community: The steady increase in popularity surrounding Web3, NFT and blockchain continues to attract spirits and wine brands as they release limited products in the digital space, but* ***Evinco Winery DAO*** *is on a mission to do more than produce a one-time purchase of limited edition NFTs. As the world&aspo;s first Web3 winery, Evinco is a membership club of minters and holders investing in their wines virtually and physically."* (Dara 2022)

Ideally, your sales and marketing strategies will ensure that your strategies, as well as your organization's purposes and values, will be in sync with each other; for in point of fact, this lays the groundwork for **sales oriented** and **sustainable business model** implementation.

An entrepreneur not only creates their business model but is also its lead salesperson. Though a business model may provide an overarching policy indicating which sales channels a company should be active in, when it comes to implementation, **negotiating skills** are every bit as important as a winning concept. In small businesses in particular, it's essential for all employees to be excited about selling and have the requisite salesmanship skills. Unfortunately, many businesses give short shrift to sales. For instance, while many German winegrowers may hold elaborate events and create appealing venues for wine bars and/or restaurants, they often devote little or no time and effort to creating sales concept that's designed to boost sales. The latter can be accomplished via measures such as the following: distributing flyers that promote sales; suggesting specific wines during wine tastings and similar events; an event host mentioning that the wines in the room are also for sale; the chief vintner greeting or otherwise interacting with event guests; placing an order form on guests' tables; enabling customers to place an order via a QR code and indicating the related delivery options. Another good way to promote sales is to make customers **brand ambassadors**, active multipliers – or even dedicated wine salespersons.

The delicate task of coordinating all the moving parts that go into successful sales requires a well honed combination of **sales acumen**, and creating an **infrastructure** befitting a sales oriented company. To this end, you will want the related processes to be both effective and efficient, and to meet the requirements of multi-channel marketing. If your sales team masters the art of persuasion, your sales will increase. When a customer enters a wine boutique that's got an alert and perceptive staff, then that customer is likely to buy and become a steady customer. Social sustainability is also covered by sales activities, when people interact in a fashion that affirms and respects one another's values, a common ground for sales. This also reduces the effort and expense entailed by supplier vetting or customer acquisition and helps to streamline logistics processes – which in turn also promotes ecological sustainability. Forthright dialogue concerning approaches to sustainability and efforts to achieve it can potentially motivate all concerned to seriously commit to the pursuit of sustainability.

> Interview excerpt of the German wine magazine Vinum with the legendary German vintner **Ernie Loosen**, often called Mister Riesling: *"He's a wine salesperson par excellence – the real deal. The kind they don't make any more. A minimum of ten sales meetings per day – in other words, cold calls. All over the world. The wines are all intended for sale – and so it comes as no surprise that Loosen wines are sold in more than 80 countries around the world. His wines are available just about everywhere – even at wine bars deep in the Cambodian jungle".* (Würtz 2019)



7.4.5 Dynamic capabilities

Scholarship concerning the relationship between unique selling points (USPs) and entrepreneurial skills and activities has given rise to a school of thought that defines

dynamic capabilities as the basis for competitive advantages. According to this theory, companies that are adept at developing the relevant skill sets are able to secure long term competitive advantages that are **not readily replicable** by the competition.

Dynamic capabilities describe the targeted development and modification of operational resources in order to solve challenges in a systematic and reliable manner and to seize opportunities. The concept was defined by Teece, Pisano and Shuen, as a "firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments."

Dynamic capabilities can result from very different aspects and constellations. They result melting assets, process design and creative paths in the ambition to deliver new approaches and solutions for opportunities or challenges. For example, a winning winery team with the ability to stage unique in-house events will probably not result the usual path of learning all details about wine and vineyards. Such a dynamic capability can instead stem from creative combination of state-of-the-art service training in a totally different setting (e.g., healthcare), freedom to create innovative concepts (a field that the company 3M claims to have nurtured the invent of post-its), entering into innovative partnerships with artists, and investing in data generation and evaluation. Innovative design and continuous development of such capabilities strongly reduces the risk that the competition will be able to copy.

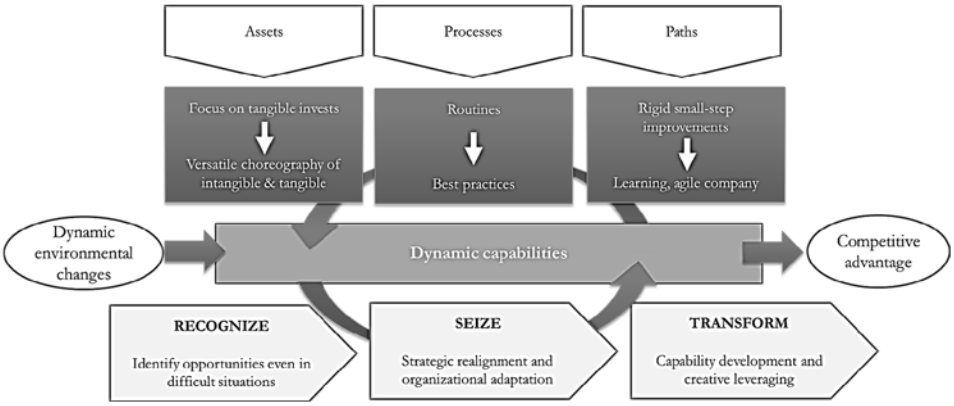


Figure 117: Dynamic capabilities (adapted from Pereira et al 2020/2015)

In search for business model **flexibility** to rapidly adapt organizations to new environmental challenges or exploit opportunities, dynamic capabilities …

- nurture **creative offerings** by network-oriented orchestration of partnerships, efficient communication and flexible, technologically based processes
- enable a new paradigm for **sales and marketing** activities. Sales representatives and all customer interfaces serve rather as scout and catalyze to identify consumer and market needs. Marketing supports an organizational alignment to fulfill customer needs.

- capitalize on all opportunities for interacting with customers at all touchpoints and points of contact with the relevant market by processing all relevant knowledge using **technological tools**. This in turn means acquiring, processing and analyzing all relevant data. Instituting think tank-style task forces and expanding the scope of lateral thinking, along with allowing participants to take time off from brainstorming and the like to generate the requisite impetuses, help to create successful, creative approaches to process and strategy design. Enabling team members to reflect on their role in your organization and how best to be of service to it can have a positive impact on your organizational culture – which in turn can be a significant competitive advantage if your organization suffers from a lack of dedicated and competent employees.
- dynmizes sustainability as a force for social change through the use of personal networks via continual communication with the outside world, along with a commitment to doing good in the world and creating value via fair business practices.
- The growing complexity of business environment shortens the cycle of proprietary advantages through competencies or assets, but dynamic capabilities gain in relevance. Dynamic capabilities profit of entrepreneurship that synchronizes entrepreneurial management and routines taking into account (a) changes in consumer behaviour and expectations in the context of a sustainable, future oriented business model; and (b) the use of the available online and other digital options.

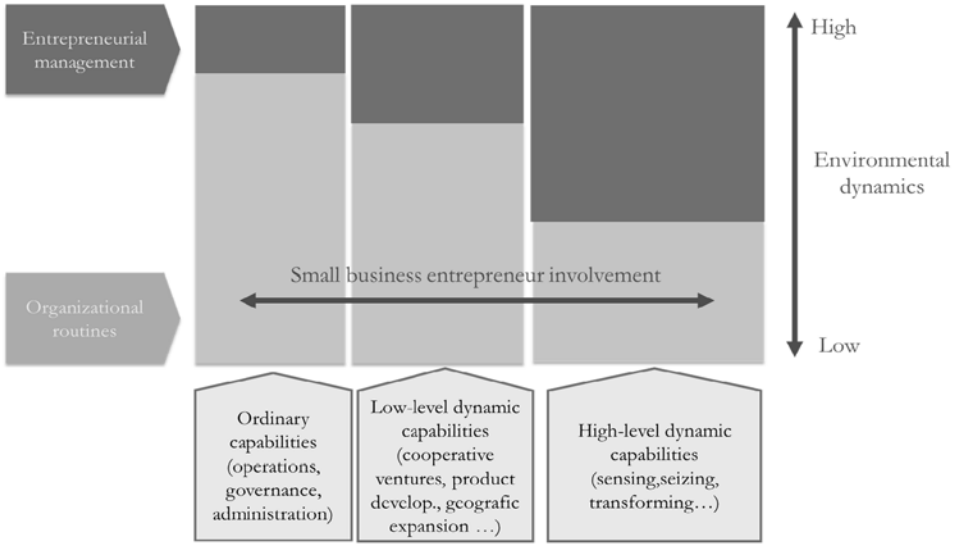


Figure 118: Entrepreneurial dynamic capabilities (adapted from Teece 2023)

Rising customer expectations can be met by means of dynamic capabilities that promote synergistic business model design combining **high tech and high touch** modalities. In this way you can ensure that all consumer and company expectations regarding efficiency, effectiveness and the visceral response to all aspects of consumption (client side) and doing business (corporate side) are met.

At **Weingut Hammel** the entrepreneurs emphazise the value of dynamic capabilities: "The foundation of the winery is not the vineyards, the historic wine cellar or the old wine barrels. It is the people! It is the family and the employees, who together, driven by the fun and the great love for wine and the homeland, go every day with joy into the vineyards and into the cellar."

Entrepreneurs assume responsibility for providing and delivering reliable goods and services. All entrepreneurial strategizing is based on and affected entrepreneurial resources and organizing internal and external processes in a fashion that takes into account the relevant competencies, capacities, points of interaction, and partners. Reflect this in your own organization:

[1] Which of my entrepreneurial resources form the basis for competitive advantages? Would it be possible for competitors to imitate or replicate these advantages, or to provide identical elements? Do I devote sufficient attention to the team? Do we offer them opportunities for advancement and/or professional development?

[2] Which of our organization's value-creation chain processes, capabilities and competencies differentiate us from the competition? In what areas would it be impossible for the competition to imitate or copy us, by virtue of our excellence? Do our employees share the views in this regard?

[3] In what ways would it be possible for my organization to benefit from further intermeshing with partners and/or and outsourcing current activities to partners or customers? What risks would such a move entail? Does my organization incorporate our partners into our processes fairly and squarely? Is there room for improvement in this area?

[4] Is my organization's value creation chain congruent with our sustainability goals and those of our customers (all stages of the value chain; upstream and downstream perspectives; judicious use of resources; avoiding waste and pollution; taking steps to protect the environment)?

[5] Which activities, using which resources and with which spheres of responsibility in which time frame, arise from our strategic objectives? Where is more "dynamic flexibility" needed and why?

7.5 Value generation

If you're looking for a reliable test criterion for the sustainability robustness of your business model, then quantify your value generation. Consumers tend to be unwilling to pay for deliverables that generate no appreciable value – which in turn means that your deliverables aren't marketable. You need to optimize each and every one of your business model's elements to secure fair value generation for the company but also for the customer. In so doing ensure taking into account all relevant stakeholders. The ultimate aim is to add greater value and enable all stakeholders to benefit from this improvement. As a vendor, you need to ensure that your business model generates sufficient revenue, because otherwise it might destroy value instead.

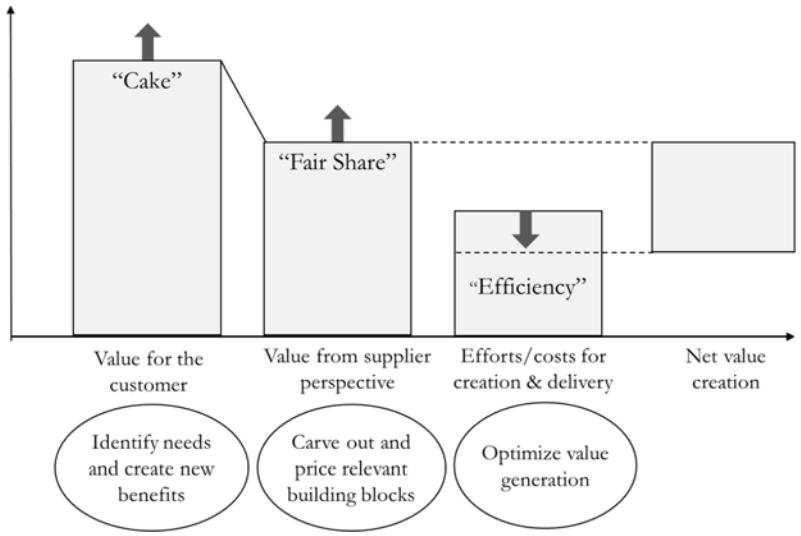


Figure 119: Value generation and distribution

7.5.1 Sales and customer value

Profitability depends on sales and costs. Sales can stem from existant or new customers. ABC analyses allow for customers segmentation according to how much customers purchase. Category A customers are your backbone. A relatively small group generates considerable revenues. Category B customers generate less revenue per customer and category C customers constitute a large group each of whose members contribute little in the way of revenue on average. ABC analyses can be used to devise planning guidelines indicating how revenue can be distributed across all customer segments in such a way as to achieve positive effects on sales not neglecting different customer groups and their ability or willingness to buy from you, such as the following:

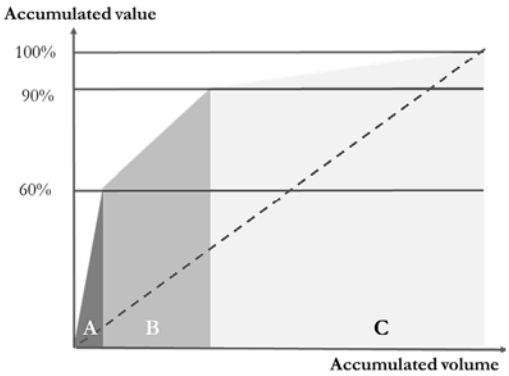


Figure 120: Visualized ABC analysis

- A customers = care for them; find ways to pleasantly surprise these customers
- B customers = find ways (e.g., personal enagement or product bundles) to increase your share of wallet transforming them into an A customer
- C customers: identify opportunities to increase customers' positive perception of your company and brand, without increasing the amount of time, energy and cash expended on individual customer care.

Obviously, it is not only the actual purchase of customers that defines their value for your company. The **share of wallet** (i.e. purchase of your brand of the customers needs for the product in question) is of relevance as is the **customer lifetime value**. Both levers need to be taken into consideration when calculating the value of your customer base and measures to increase your gain. Business models need to safeguard effective and efficient value delivery: best value generation from an output and an input perspective. If in recent years **product quality has become a hygiene factor** (i.e., high quality is expected and not compensated by a premium price), product quality optimization will not automatically translate into higher sales, since all vendors' products tend to meet high quality standards. But if consumers are dissatisfied with the quality of your products, it stands to reason that your customers will take their business elsewhere and your sales revenues will decline.

> The "**share-of-wallet**" is the amount an existing customer spends regularly on a particular brand and provides information on how high a supplier's share is of a customer's total expenditure in a product genre. If a wine enthusiast realizes his entire wine purchase at one winery, then the share-of-wallet of this winery is 100%.

One of the advantages enjoyed by small businesses is that their customer base is a manageable size. Finding out as much as you can about customer preferences (but in addition to an ABC segmentation) and then put this information to productive use, you will have a better chance of lasting durable customer loyalty, as customers will then sense that you are servicing their needs with pinpoint accuracy. This will have a positive impact on customer satisfaction, which in turn will work to the benefit of the amount customers spend on your products and the incidence of customer purchases. It enables you to then calculate the value of relationships by allocating costs to the customer segments. Only after you have implemented this value optimization strategy, you can then proceed to the portfolio for your C categorized customer base by either trying to transform them into B or A clients or eventually creating a leaner offer to meet their reduced needs. Every customer should be valued – also C customers.

> **Customer value** or **customer lifetime value** (CLV) is used as an operational metric by calculating the average value that a customer has for a company throughout its customer relationship. Expressed mathematically: CLV = contribution margin × repurchase rate × customer lifetime – customer acquisition costs.

You can quantify the customer value looking at an extended **customer life cycle** period. In quantifying the value of a customer engagement, you need to factor in the timeline of the customer relationship. The initial phase of such a relationship entails an investment on the part of both vendor and customer. Vendors purchase address lists or generate new customers via time consuming and cost intensive customer acquisition processes such as attending trade shows. As for customers, their investment involves the time and effort necessary to vet the many vendors and products available. Hence such a situation creates value for both parties insofar as this initial investment leads to a long-term business relationship with repetetive transactions.



Figure 121: The evolution of customer lifetime value (CLV)

New customer acquisition is costly. Winning new clients costs five to seven times more than taking care of existant customers. Customer lifetime value is largely determined by the extent to which you are able to capitalize on your current clientele. However, as your customer base will invariably consist of customers you've lost, investing in customer acquisition on the basis of customer-centric value propositions and target segment-centric communication is absolutely essential. This CLV timeline is of particular importance in the winegrowing industry in that wine consumption and the willingness to purchase wine tend to increase as consumers grow older and their disposable income rises, and hence loyalty of customers to then profit of their higher wine purchases is of paramount importance.

7.5.2 Pricing – a powerful lever

Revenue are sales multiplied by prices. Let's say your profit margin on a given product is 4 percent. If you increase the price by 1%, then profit contribution will increase by 25 percent without any significant sales loss. On the other hand, raising prices to eventually compensate for cost increases or the like will only work insofar as the actual prices are **set** and **realized**.

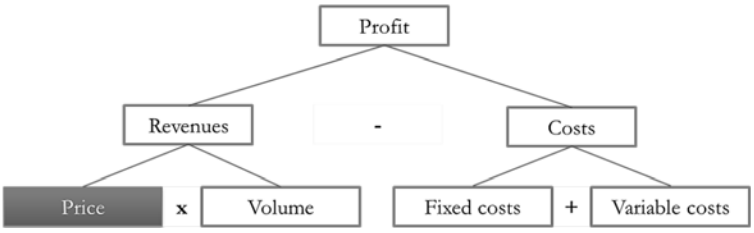


Figure 122: Elements of the profit equation

Price setting tends to be cost, competition or benefit based:

- **Cost**-based: The wholesale or retail price needs to at a minimum cover all costs entailed by provisioning the offerings: What activities do I need to calculate as cost component in terms of quality, customer service and auxiliary benefits? What are the long- and short-term production costs?

- **Competition**-oriented: You can do this calculation based on the price charged by a comparable vendor – the goal being to set marketable and competitive prices for your own products. Who are your direct competitors? Which products similar to yours is the competition marketing and at which prices?
- **Benefit**-based: However, the main consideration to set prices should be the utility, benefits and advantages the customer feels they will derive from purchasing the product. Which needs am I in a position to awaken and satisfy in which customer segments – and what price are these customers willing to pay for the attendant products? Ideally, prices should be set based on the willingness of the potential customers to purchase the product in question.

Not only in the wine industry but more than 70 percent of all German companies determine their **prices on the basis of costs**. This tendency is evidenced by situations where, for example, a German bottle producer, energy provider or winemaker state that they have been forced to raise their prices owing to supplier price increases, energy cost increase, or weather-related lower grape yields in conjunction with rising expenses. In order for cost-based pricing to be viable, it must be accompanied by cost unit accounting-based **cost transparency** for portfolio and assortment entities. However, this approach fails to exploit the full potential of pricing, in that it doesn't take into account the **subjective factors** associated with product purchasing and consumption. Emotional value components for example for wine can be uniqueness of terroir wines, a given brand's popularity, the winery's marketing story, and the vintner's personality. Repute and branding, the main customer-benefit components, are the result of marketing, brand management and strategic marketing; but unfortunately, these elements are given short shrift in commercial law and tax-based cost accounting. Pricing primarily on cost seems appropriate – and this applies mainly to cost leaders – insofar as the products in question are positioned as low cost or price-performance leaders and in consequence are sold in sufficient quantities to make up for low margins.

Competition-based pricing exploits potential profit pools by orienting towards prices being charged by comparable vendors. Obviously, German winegrowers' strategic segmentation is correlated to prices. Cost leades realize on average 60% of average prices but premium wineries profit of 40% price premium:

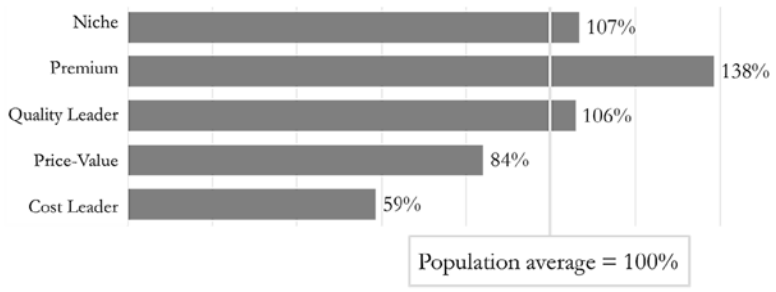


Figure 123: Strategic positioning vs. price levels (survey results)

But the days are long gone when all vendors had pretty much the same business model and marketing practices and when upwards of 90 percent of sales were affected to

loyal customers. Today's markets are characterized by far more varied and more customer segment-oriented products and services. And because the complexity of marketing channels has increased exponentially, they require adaptable net prices and a willingness to compromise on terms and conditions of delivery. Determining prices in line with competitors' requires (a) genuinely **comparable offerings**; and (b) **targeting the same customer segments** – seldom the case. If you decide to draw conclusions from competitor´s pricing in regard to profitability, you need to bear in mind consumer expectations and business model offer components. Although the strategic grouping as premium winery on average allows to charge more than twice the amount that price leaders set as price level, these providers nonetheless need to go the extra mile when it comes to product quality, brands, customer service and so on. Hence, despite premium prices profitability might not be more attractive in all circumstances.

A strategic coherent and deeply customer-centric business model allows to set prices based on **customer benefits.** Only the creation of customer value and the ability to argue on a value-creation paradigm allows to raise your prices without jeopardizing your sales. Consumers tend to be convinced that their purchasing decision is right when they experience a fair value. Wines and other products whose quality and value are mainly subject to subjective quality perception might even profit of higher price setting. This phenomenon has been validated by empirical studies in the field of **cognitive research** (brain research) showing that wine drinkers associate **higher prices with superior product quality**. But of course, this higher value needs to be delivered via a target segment-oriented value proposition.

> The express aim of French vintner Loïc Pasquet is to produce Bordeaux wine in the style of the 1855 Bordeaux Wine Classification System. Which is why Mr. Pasquet charges for his **Liber Pater** wines (which he's been producing since 2005) the, by any standard, exorbitant price of €30,000 per bottle – described in these terms: *"floral, spicy, mineral, silky or velvety texture, generous, elegant with nostalgic, very long notes."* (*Die Welt*, October 2019)
>
> The customers´interest in innovative natural wines enabled Jan Matthias Klein, CEO of the German winery **Staffelter Hof**, to sell them with a price premium of more than 50 percent compared to the winery's overall wine portfolio. Although initially these wines constituted only a fraction of the winery's product portfolio, Mr. Klein has since acquired new customers (exporters and so on); and this in turn has made the entire assortment more reputed and enhanced its perceived worth.

Yield pricing illustrates that pricing needs to exploit seasonal or volatile demand:

> **Yield management** is a strategic instrument for variable pricing anticipating demand (basic pricing principle for hotel room reservations or airline seats). Statistics-based forecasts and predictive modeling enable the companies to use yield management to nurture demand, increase profits in phases of high demand, or capacity allocation. Prices are differentiated in a targeted fashion based on customer preferences and purchasing behaviour, with a view to im-proving sales and net profits. In phases of lower-than-average expected demand prices will be reduced whereas in forecasted higher demand times prices will be increased. Faulty planning can potentially jeopardize the ambitioned result (e.g., incentivizing airline passengers by paying a renumeration for not claiming their right to fly with an overbook flight).

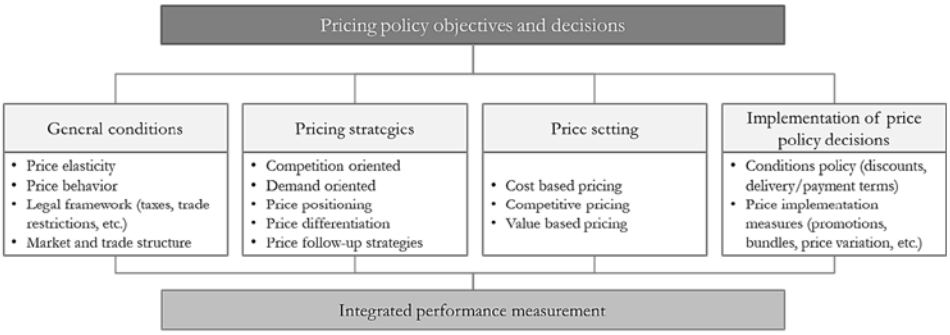


Figure 124: Components of price management

The importance of **strategic pricing** has become clearer than ever because of **price transparency** owing to myriad online apps and price comparison websites. Test purchases, mystery shopping, competition and market analyses and online research now enable vendors to find out at which points of sale their products are available or reputed to be available and under which market conditions. You might want to consider incorporating pricing and condition policy into your strategic price management that centers around customer benefits. Dynamic pricing (yield management), price differentiation, **bundeling** of products, and varied product ranges can help to make sales to customers whose willingness to pay the asking price may differ interindividually. This kind of holistic approach helps to ensure that your pricing will (a) center around benefits; (b) allow for price implementation; (c) be coherent with your sustainable strategy. And so when it comes to pricing policies, customer benefits and any increases therein should be incrementally reviewed, reassessed, quantified, integrated into pricing activities – all with a view to fostering price acceptance.

> *"Despite its net profits falling* ***Treasury Wine Estates*** *(TWE) is increasing its dividend and predicts a continuing improvement in performance. Sales in the US fell by 11.7% as part of the policy to move upmarket. The company said price increases pushed through on several brands was a key factor in profit margins increasing overall, along with internal cost-cutting. The standout performer was the Penfolds division whose sales rose by 14.3%. Penfolds Bin 407 Cabernet Sauvignon had a 9% price rise, while the 19 Crimes label was up 6%, and the Squealing Pig went up by 9% in the United Kingdom. High-end Californian red wine under the Stag's Leap brand was up 20% in some instances."* (Emler 2023)

Bear in mind that as **sustainability** activities should be considered as customer benefit and factored into prices, just like rising expenses and increased risk. Many studies have shown that consumers are **willing to pay premium prices for sustainable products**, as is evidenced by the often far above average prices that organic products sell for. In such cases, both environmental and social factors can be used to justify premium prices – and can also improve consumers' perception of the quality of your products. In order to implement such pricing, one needs to understand the value of all the elements of the offering – hence a deep drill on the **building blocks of sustainable value creation** (as illustrated by an example of an evaluation of willingness to pay for robust wines):

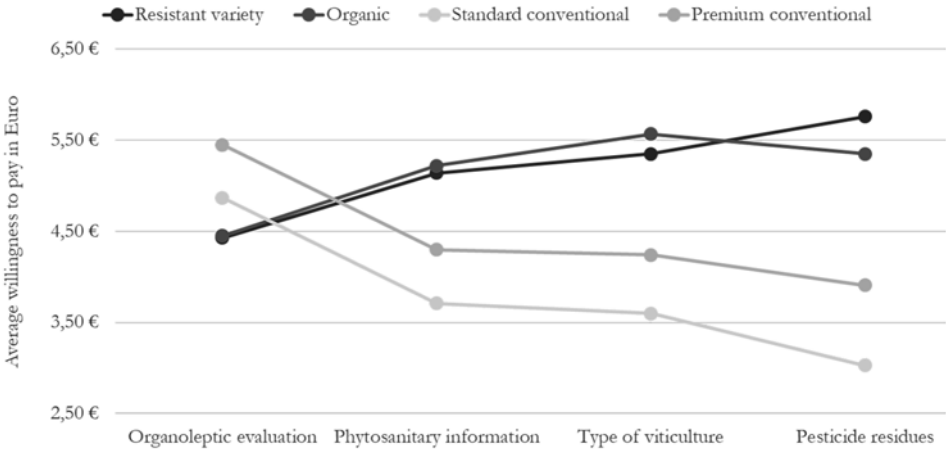


Figure 125: Willingness to pay: an example of robust wine (Espinoza et al 2018)

> An Italian premium winery that was previously closed to the public decided to hold an event that was open to wine enthusiasts. The entirety of the €300 per person entry price was donated to charity. (*Die Welt* 2019)

7.5.3 Cost management – indispensible value creation

Companies depend on positive contributions to be resilient and assure their longevity – a key to be sustainable. Capital investments need to be enabled by sufficient revenue and business opportunities can only be tapped if a company is **economically solid**. In the winegrowing industry, with its dependence on the weather, vendors can only survive lean years characterized by lower production volumes and eventually more effort invested in production if profitable years have provided an adequate cushion. Rising costs make it even more urgent to turn a healthy profit, including in the presence of astute cost management. In principle, a business's profit is constituted by the revenue remaining after all costs have been deducted. Costs are therefore not a nuisance but a lever to increase profitability as well as the value creation.

> **Cost management** comprises planning and controlling of all costs. It requires collecting, analyzing and reporting cost information to more effectively budget, forecast and monitor costs but also to derive alternative business processes or supply situations. It helps a business to increase profits, be resilient or (often in case of applied in projects) meet budgets with more accurate forecasts of impending expenditures.

Rising costs are potentially attributable to myriad factors, for example **inflation**; statutory **minimum wage**; equipment replacement costs resulting from **technological advances** and the related need to invest in high performance means of production; increased **marketing expenses**. For small businesses in particular, **cost management** is a necessary but not particularly beloved means of profit optimizing (illustrated by the German winegrowing where only 25 percent regard their cost situation

as good or very good). The variable costs, owing to the ups and downs of grape harvests (depending on the weather and pests), aren't amenable to planning and in low-harvest years, fixed costs will be spread across a relatively low number of produced units. Costs of supplied material (e.g., glass), energy, labour and others is dramatically increasing. In addition, gains in productivity in wine growing and production (e.g., automation in harvesting processes) have been consumed by marketing expenditures.

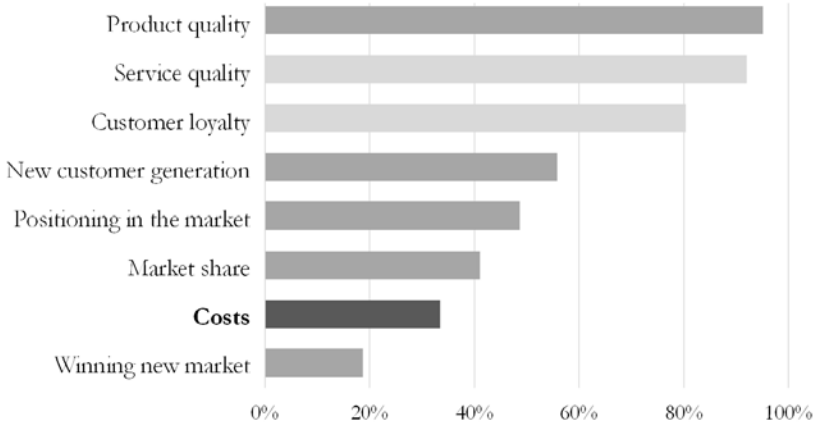


Figure 126: Satisfaction levels (high and very high satisfaction) of various drivers of success (survey results)

In small businesses it is indispensable that the operating profit in family-owned businesses also covers proprietor salaries, their social security, health insurance, and family members' salaries. Efforts should also be made to realize a return on equity invested in real estate, production resources, and other business assets.

> Safeguarding longevity in small family-owned business necessitates to cover all costs: *"How high does a winery's operating profit need to be in order to ensure its long-term survival and at the same time generate a 'family-friendly' revenue stream for the winery owner's family? (...) To achieve this, a winery's annual profit should amount to at least €100,000 – and in wineries where two different generations are active participants in day-to-day operations, the minimum annual profit needs to be around €160,000."* (Oberhofer 2021)

If you are beset by costs that are beyond your control, then it's advisable to deal with them strategically, reacting to changing situations (e.g., costs of material) but also proactively (e.g., identifying offer components with low benefit for the clients and eliminating them to lower the costs). Cost transparency is the starting point, and understanding cost structures and reactiveness allows you to manage costs from a value creating perspective (see Fig. 127).

Cost transparency is a must when it comes to cost management. The best way to identify cost increases and figure out what to do about them is to look at the **types of costs** your business incurs. Assortment and pricing decisions, on the other hand, cannot be viably realized without **cost unit accounting**. Strategically targeted cost management can help to enhance customer benefits, in that avoidable costs will be eliminated – and this in turn will help to create pricing that end customers will find

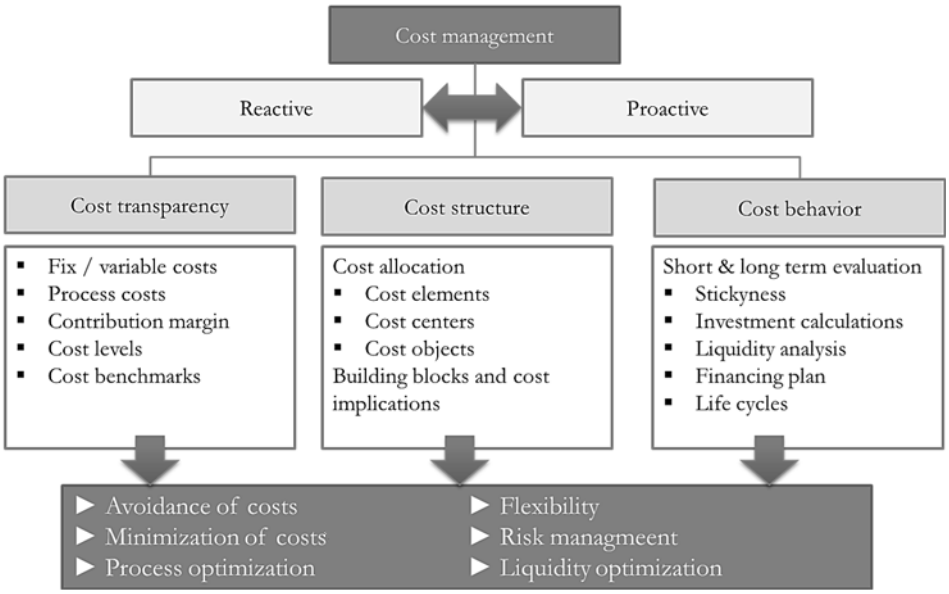


Figure 127: Levers of strategic cost management

acceptable. The reverse strategy – reducing quality in order to cut costs – is inadvisable and is counterproductive. Given the generally high-quality standards found in virtually every business segment nowadays, vendors who fail to meet these standards may well find themselves loosing customers and market share. Also, to be avoided is the strategy known as **planned obsolescence**, as this reduces customer benefits and is detrimental to sustainability. Abnormally brief product lifetimes may well translate into increased sales to customers who have to replace defunct products, but such customers are being denied the added value they deserve, and no doubt expect – not to mention the sustainability-unfriendliness entailed by the **avoidable waste** generated and the valuable resources squandered. Hence, it's not surprising that vendors who make durable, high-quality products benefit from higher brand values and price premium.

> Planned obsolescence has been standard practice for decades. A documented example of it is the agreement entered into by numerous major light bulb manufacturers (e.g., **Osram**, **Philips**) in 1924 to deliberately limit the service life of a light bulb to 1,000 hours, despite the fact that a far longer service life was technically feasible at the time. Proof of this is provided by a light bulb at a Livermore, California fire station that's been burning continuously since 1901.

Thinking of ways to enhance sustainability can potentially provide the impetus for product/customer benefits-enhancing cost management, such as **reducing resource use** and energy consumption, avoiding the generation of waste, and analyzing the economic implications of these elements. It's in your customers' interests to improve product performance, avoid **unnecessary product components**, enable your organization to achieve higher returns, and invest surplus returns in sustainability measures aimed at resource and process optimization. Identifying cost drivers and new optimization measures can potentially lay the groundwork for using waste or rejects to create new types of added value, in line with the concept of a **circular economy**.

This can in turn enhance the value creation of your business as a whole and engender valuable sustainability effects. Cost optimization via a critical analysis of your value chain, along with ramped up process efficiency are indispensable when it comes to **enhancing economic sustainability**. Digitization paves the way for new processes and efficient, less costly solutions. Also consider offer elements to reduce the costs of your clients, what in times of rising inflation becomes a real benefit.

> The Italian noodle producer **Barilla** launches a smart device of „passive cooking" that helps to reduce up to 80% CO_2-emissions and to reduce energy cost – noodles will be cooked in remaining heat of used hot water.

One aspect to shed light on is **costs and invests for becoming sustainable**. Having explored extensively the value and possible return of sustainable strategies, there is a need to also address the investment side to increase sustainability. For example, if you decide to generate solar energy to reduce fossile energy consumption you need to invest to build the solar energy infrastructure. Costs strongly vary from the ambitioned level of sustainability, the company situation, the industry, the country, the region and a lot of additional factors.

An analysis of five cases allowed to identify different cost components. Substituting processes or technologies (for example photovolatics; new tractor to lower fuel consumption; system for digital invoices to avoid printing etc.) requires adequate **investments**. **Incremental costs** can occur when switching to more expensive but eco-friendly processes or material (e.g., green energy provision; sulfide-reduced oil; organic instead mineral products). The entrepreneurial **engagement and time** from the team (FTE inhouse days and the entrepreneur´s time for certification preparation) are cost components. **Auditing** and eventual certification were significant cost components in the case studies. One winery quantified certification costs of 5.000 Euros for the certifier tied internal employees calculated to sum up to 4 times that sum. In addition, **communicating** ones sustainability progress also binds resources or has direct cost effects.

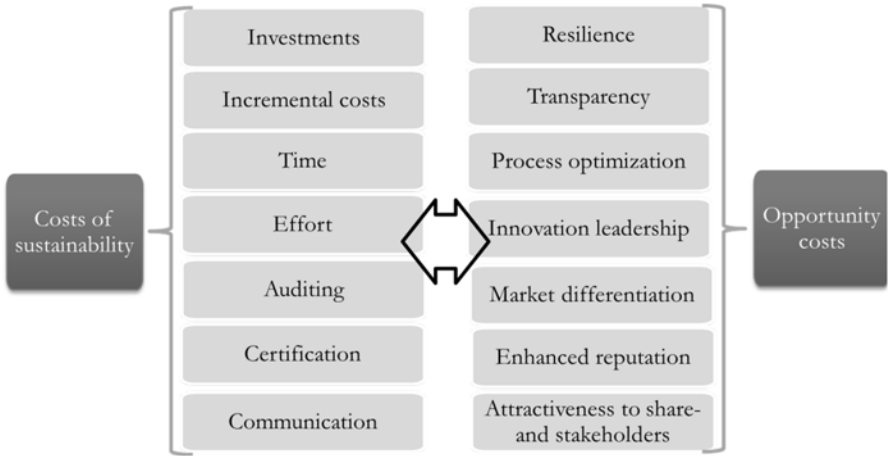


Figure 128: Costs for implementing sustainability (multicase study results)

Not neglecting those costs of sustainability, they can be justified as invest to reduce risks (e.g., being held responsible for external costs or environmental damages) and to increase profits (e.g., higher value of sustainable products and services) in the long run. From a cost perspective, it is about balancing the trade-off between the necessary spendings and potential losses of ignoring or mismanaging ESG factors and therefore opportunity costs.

Reflect on your value creation for your customers and company:

[1] Which revenues do I generate via type A, B and C customers? Quantify sales volumes; purchasing frequency; share of wallet; sales outlets; customer loyalty; customer value for each customer category. Analyze by your defined target cutomer groups.

[2] What data can we retrieve from our CRM or other systems to quantify value analyses?

[3] Which offer components are valuable for which customer groups? How much are these customers willing to pay for it? When it comes to assessing performance, which components of my offering are relevant for these customer segments? Which are irrelevant and why? How could I go about adapting one or more portfolio components and the prices thereof with a view to taking fuller advantage of the opportunities presented by these customer segments? Which price policy measures might enable me to capitalize on these opportunities?

[4] What is my cost situation – where are risks and opportunities looking at supply and demand? How sensitive are the costs to what drivers? Does my company have any identifiable cost structures, and if so, what are they? What are my company's main cost drivers? Would it be possible to strive for cost optimization by streamlining my product lines, outsourcing and partnering and/or modifying my business model?

[5] To what extent are my company's values, customer benefits and performance sustainable? Is my company creating value at the expense of the environment and/or its stakeholders? How can I go about achieving lasting uniform distribution of my company's value creation? How can I go about minimizing, or making up for the following: the use of limited energy and other resources; waste generation; environmental damage?

[6] Think about sustainability efforts from a cost and a value perspective.

8 Goal attainment and fine tuning

Performance assessment is not only about the degree of goal attainment and whether the planned management measures were successful. Are you on track to fulfill your envisioned strategy and is your ambitioned strategy still attractive? Finetune or revise your strategies by a yearly update of your strategic analysis, the assumptions upon which it was based, the strategies derived therefrom and your derived sustainable business model design and the attendant goals and planned measures. Given that **future evolutions can never be predicted with airtight certainty**, you cannot expect your plans to conform to future reality in every single case. Such deviation, whether it be in the guise of overshooting or falling short of your target, can result from many factors such as erroneous assumptions, inadequate data, ineffectual measures, disruptive elements, goals being unduly ambitious or not ambitious enough. When it comes to strategies, it is essential to continuously review the elements of your strategy and measures that have been implemented and the extent to which they have achieved the desired results. Permanent reflection and controlling helps to familiarize with and optimize your planning processes and update your strategic and operational guidelines:

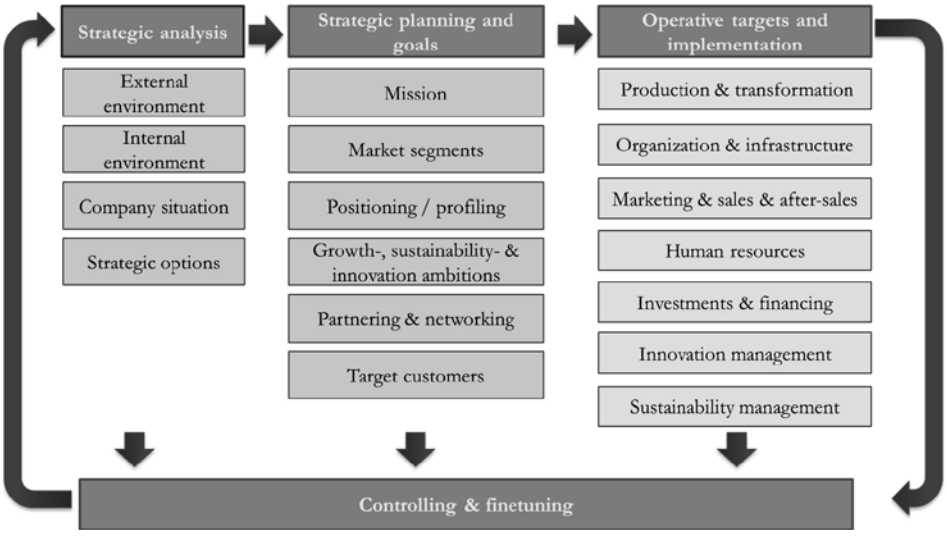


Figure 129: The strategic planning and implementation cycle

8.1 Plans, their synchronisation and financial management

Ideally, your company's strategies and the goals you set based on them will provide overarching orientation for all of your company's operational activities. Operational implementation should unfold as implementation of a series of intermeshed and interrelated plans using what is known as a rolling planning, an approach of constant substitution of planned data by actual one and revised planned data. Repetitive rolling plans by will enable you to (1) forecast more accurately based on the adapted prior year's

figures and currently available information and insights; and (2) revise your plans and implement the requisite measures at an early stage. To this end, annual plans are for monthly rolling planning divided into 12 monthly segments, but taking into account seasonal factors and any impending influencal situations of which you may be aware.

Sales planning creates a connection between sales (in the relevant market segments) and production and provisioning. Ideally, your quantitative planning data should form the basis for your **procurement**, **personnel** and **finance planning**. Sales planning is normally based on the planned product portfolio, for which you should try to predict the extent to which each relevant customer segment will be purchasing your products. Controlling based rolling planning can be helpful to decide on your offerings and assortments (for example winegrowers can update their assortment plans in light of the ripeness of their grapes and a harvest projection. This in turn generates, on a rolling basis, sales planning based on the number of grapes and wine that are available at any given point in time). Sales plans usually build upon the prior year's sales, currently available information about your customers, and your envisaged effects of **marketing campaigns**. A **marketing plan** lays out a schedule for all of your promotional activities. Information derived from your **inventory planning** will help to ensure that (a) products of which large quantities are in stock will be marketed via targeted measures; or (b) plans are laid for generating new products. Your sales and production plans will furnish you with the information you need for your procurement activities. **Purchases** prompted by production related procurement or investment needs must in turn be factored into financial planning.

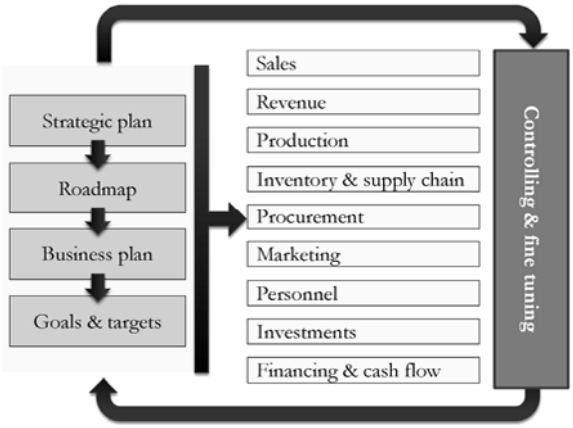


Figure 130: Framework for strategic & perational planning

The purpose of **financial planning** – a mainstay of business planning and operational measures – is to allow a company to make the requisite capital investments, and above all to obtain the financing needed for this. It's advisable to pay particular attention to liquidity planning: cash-in and cash-out forecasts. For implementation the prior year's data can serve as a basic framework for cost planning (e.g., lease payments, insurance bills) synchronized with your sales plan and a revenue forecast, whereby the implications of modified strategic and operational measures need to be factored in ahead of time. The great advantage of financial strategizing is that it enables you to realize your strategic roadmap. Investments and expenditures need to be

covered by matching resources. If your company lacks assets for planned capital investments or business model modifications, financial markets and, increasingly, crowdfunding and other innovative financing options may turn out to be viable solutions. But above all, bear in mind that if you're looking to carry out activities that require outside financing, you'll need a compelling strategic concept and winning arguments. Your business plan quantifies the relevant managerial activities and can serve as a summarizing roadmap of your strategic ambitions. These homeworks will serve as strong arguments for winning financial institutions to support your business plans.

A **business plan** describes an entrepreneurial project. It contains a rough description of the market, the business model and a quantitative profit plan, in which the planned sales, costs, earnings and risks are shown.

Financial management quantifies the financing needs arising from a company's strategic and operational targets and compares them with planned income. In this process, it is often necessary to juggle the conflicting goals associated with profitability, liquidity, and risk minimization. This can be achieved by means of coordinated financial management of the use and origin of the relevant funds, as well as risk management and the related task of information management.

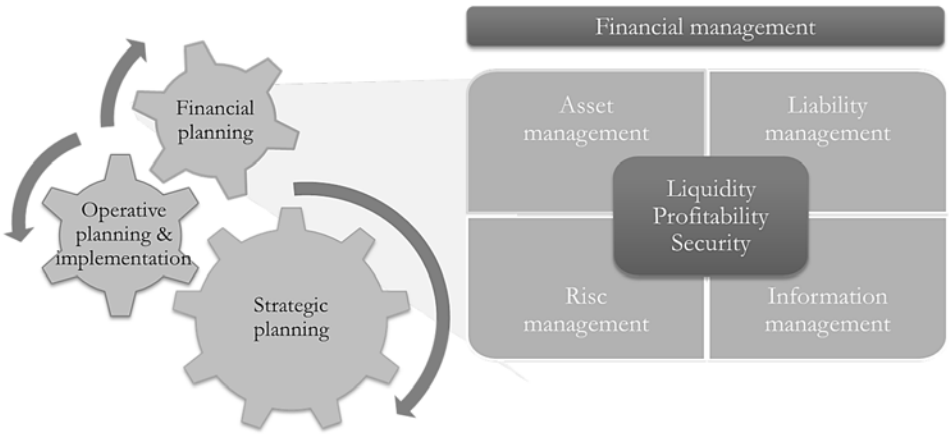


Figure 131: Core elements of strategic financial management

Investment calculations shed light on whether the funds invested yielded an adequate **return on investment** (ROI). Major capital investments should meet **net present value** expectations, in which cash outflow for the investment is compared with the anticipated cash value returns. Only a positive net present value indicates that operationally acceptable risk or profit, as reflected by the interest rate for the present-value calculation, are to be achieved – and therefore that the investment makes sense.

The German winery **Markus Schneider** illustrates that also small businesses need professional investment strategies: *"In 1994, Markus Schneider's father gave him 1 hectare of vineyard surface, for which Markus had around €15,000 in seed capital. Construction of the winery was completed in 2010, at a cost of €10 million. Half of the project financing came from proprietary funds (without the benefit of public subsidies) and the previous investment amounting to between €10 and €15 million has already been paid off."* (Spengler 2015)

Crowdfunding and **crowdsourcing** build on motivating a large number of indivduals to spend money as loan or investment to realize a project or venture. This alternative financing usually is realized via internet. Although similar concepts can also be executed through mail-order subscriptions, benefit events, and other methods, crowdfunding refers to internet-based moderating financing platforms where the project initiator proposes the idea as well as funding details and potential investors can inform and invest. Crowdfunding has helped to realize entrepreneurial ventures such as artistic and creative projects, medical expenses, travel, and community-oriented social entrepreneurship projects.

Small businesses increasingly turn to private investors, or to **customer involved funding** (e.g., grapevine sponsorship). **Crowdfunding** is particularly suitable for sectors such as winegrowing in which subjective benefits and emotional values play such a predominant role. Creative compensation (e.g., wine or in-kind rebates) can be used to reduce interest payments – and thus preserve liquidity. These kinds of measures can give rise to modern business models and also consider your customers as potential source of funding (e.g., Grapevine sponsorship).

Naked Wines (nakedwines.com), a UK-based organization that supports and funds independent winemakers worldwide, has integrated modern approaches to financing into a holistic online business model. Financing is largely derived from so called "naked angels" (i.e., individuals who join the club for a monthly subscription fee). The takings from these fees are then made available as crowdfunding to selected vintners. In exchange, Naked Wine members (angels) are allowed to purchase premium wines at discount prices; and thanks to the resulting guaranteed sales and low-cost financing, winemakers can focus on producing wine.

"*Northern Irish alcoholic ice pop brand **Wavey Ice** has hit its £450,000 fundraising target in just 24 hours, with three weeks left of the campaign. Ready to drink (RTD)s and canned cocktails have seen major growth over the past few years. The flavoured spirits sector, which grew to a value of US$16.03 billion in 2021, has been forecast to be valued at US$50.77 billion by 2029.*" (Feilden 2023)

Small businesses can attract **strategic investors** even in the case of the winegrowing industry with adversary high volatility and relatively low average profitability. The make-or-break factors to in this regard are the nature and sustainability of the business model, as well as the entrepreneur's personality.

"The 'pleasure wizard' and publisher Ralf Frenzel has acquired a stake in the [German] *winery **Weingüter Wegeler**, and will also be involved in the winery's strategic*

> *decision making. Mr. Frenzel's decision to invest in the winery was prompted by a passion for enjoyment and the fact that he regards wine as an integral part of the winery´s cultural heritage."* (Börsenblatt 2021)

Planning is not an end in itself, but an essential prerequisite for astute, intelligent and **sensible decision making**. Knowing where you stand and what to do to reach thouroughly prepared goals requires a plan that also provides the requisite transparency. It lays the groundwork for determining whether the desired goals have been met. For example, in order to make decisions about planting a new variety of grapes, a vintner needs to have reliable information concerning yields, average age of the vines to be planted and the relevant assortment plan qualities, so as to enable the vintner to (a) allow for the impact on yield resulting from switching to a new variety of grapes; and (b) critically assess the strategic factors associated with the relevant customer segments, with a view to ensuring that the desired targets are attained.

Apart from the advantage accruing to small businesses that their planning processes tend to be relatively straightforward compared to those in large companies, small businesses are also free to **dispense with certain planning** steps. For example, **budgeting** or a kind of elaborate supply chain management commonly used in large scale organizations can be drastically truncated in small businesses. As they are less complex by virtue of the trust-based contractual relationships they normally establish with their suppliers, the reliable quality of their products, and the fact that they're in a position to guarantee product availability and on time delivery diminishes need for detailed planning. The fact that production plans are mainly based on **available capacity** (e.g., the number and sizes of wine storage tanks), **past experience** and **familiar practices** normally take the place of any formal production planning process. Readily available computer apps greatly simplify and optimize the efficiency of certain management activities (e.g., accounts receivables, fermentation tank management), which nowadays can be realized via smart devices. Small businesses should dispense with quantitative **personnel planning** in favor of qualitative and management-oriented measures that prioritize employee performance assessment and performance, in-service training, career advancement options, and compensation. Small businesses do not need complex committee or board management. Cost management in small businesses can also be simplified in that the cost allocation decisions concerning overhead, and the like have no impact on the extent to which a company's various departments or business functions contribute to profitability. Moreover, some planning processes can be **incorporated into sustainability management** activities.

Planning activities, the frequency thereof, as well as any individuals who are to be incorporated into such activities, are entrepreneurial decisions. Planning activities involve determining matters such as the intervals at which you will be assessing your liquidity situation, which employees (or if applicable) service providers such as tax consultants or accountants should be incorporated into your planning processes. Iterative planning activities will shed light on the extent to which value is being generated – because using plans in a coherent and organized fashion enhances both transparency and efficiency. **Economic sustainability** serves as a screening system or an operational planning tool.

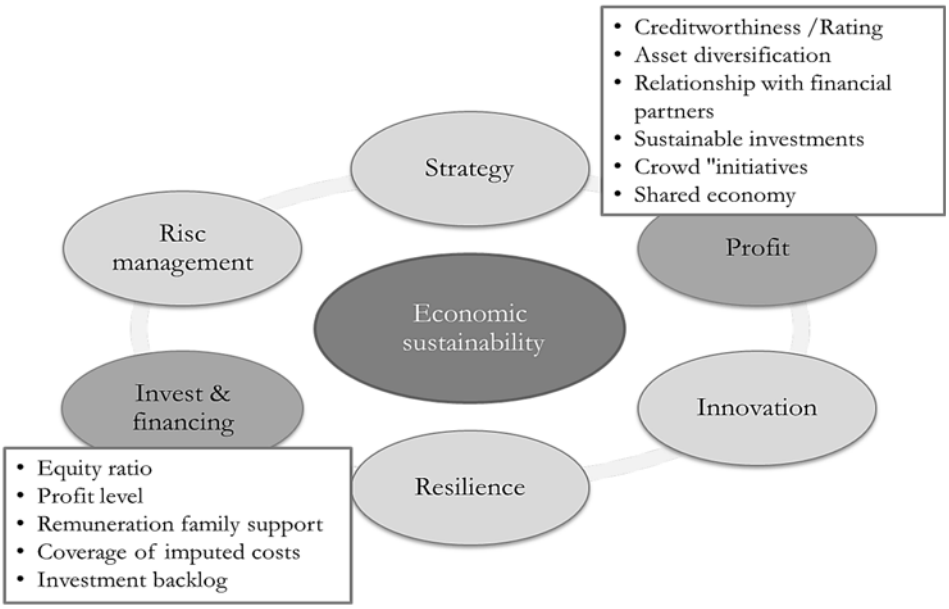


Figure 132: Economic sustainability via financial management

The pursuit of strategic objectives by an operational roadmap and coordinating their realization can be a daunting task. If you reflect on goals and concrete measures, you might shed light on organizational weaknesses and possible ways to remedy them:

[1] Are you in the habit of drafting a five-year strategic businesses plan? In drawing up such plans, which operational goals do you find you're able to translate into a roadmap for your various functional domains?

[2] Which concrete measures can be extrapolated from the objectives you set for functional domains? Which quantifiable targets serve as KPIs to measure performance?

[3] Do your planning processes culminate in a quantitative target-earnings plan? Create a best case and worst-case scenario. Which aspects of your take on possible changes in your business environment could potentially enrich such scenarios, and in what ways would they do this?

[4] Do your strategic, operational and financial plans and the implementation thereof satisfy the economic requirements for the sustainability of your organization?

8.2 Controlling and plan adjustments

Controlling serves as an umbrella for strategic and operational control activities in search for more professional and better decisions. Plan-based functional strategies and processes need to be checked and adapted in terms of goal achievement, resilience requirements and any perceived optimization potential. The insight gained from such

procedures is prerequisite for follow-up and fine-tuning processes, the main goal thereof being to enhance the sustainability of your organization and to acquire the wherewithal to deal with crisis situations – hence being resilient.

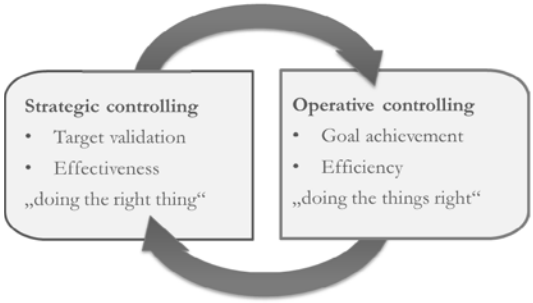


Figure 133: Operational versus strategic controlling

Controlling is an integral part of strategic business management. It involves planning activities aimed at creating value and encompasses everything from setting up an infrastructure to track KPI developments, assessing goal achievement to identifying strategic and operational achivements and underperformance. Planning, management and control processes use controlling. The best way to achieve uniform controlling is to create links among all the processed data from your relevant systems such as ERP or CRM, and to then use this merged data for strategy development and implementation.

A positive outcome for small business enterprises has been achieved insofar as it has implemented strategic, value-driven goal orientation and has measured the extent to which its goals have been achieved. The interplay of all relevant drivers against a **backdrop of disruptive** or otherwise untoward factors that may be beyond management's control is a hindrance to goal achievement. Indeed, a lot objectives set by businesses are not achieved or needed adjustments. Also, in case of over(achievement) of all set goals this may possibly be attributable to a company having set too few or unduly ambitious goals. Hence controlling invites to better off drawing lessons from the event with a view to doing better the next time. It's often helpful to implement a rolling balance of planning and **feedback-loops** to make continuous adjustments

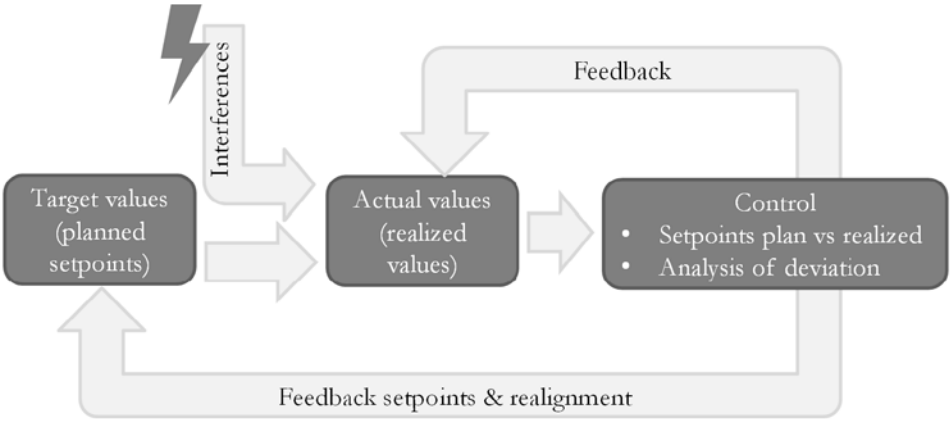


Figure 134: Feedback loop in the control process (adapted from Schreyögg & Koch 2014)

therein. For example, if it looks as though bad weather is going to greatly reduce your grape harvest yield, you might be able to salvage your liquidity via measures such as purchasing grapes or subscription of wines in production, adjusting your earnings plan, or applying for a bank loan. An above average grape harvest is regarded by some players as an opportunity whereas other winegrowers are worried that the resulting grape glut would depress wine prices (see Fig. 54). Hence the nature and extent of any plan adjustments is determined by individuals' perception and situation.

As in private life, things not going according to plan can open up heretofore **undreamed-of potential**. One example of this is what happened when, during the 1990s, BMW acquired the (including Mini) and the resulting new version of the Mini. To BMW's surprise, demand for the Mini far outstripped the company's sales forecasts – apparently thanks to the activation of customer segments that BMW did not encounter to buy this enchanting, albeit not particularly roomy, vehicle. This kind of phenomenon is no stranger to the winegrowing industry either, where new products such as natural wine which, despite their unfamiliar flavor profile or weak appeal to existing customers, have enjoyed highly successful market launches by attracting new customers.

Sustainability paves the way for a host of approaches and opportunities when it comes to launching and enriching controlling activities. Sustainability motivates to **question the classic paradimg of "the more the better"**. The whole gamut of drivers of strategy development and operational implementation constitutes a host of potential springboards to the implementation of crucial optimizations and prioritization to your most cherished goals – for the simple reason that the knowledge gleaned thereby adds value in and of itself.

The supreme importance of vigilant monitoring and adjusting your goals from an operational standpoint can be initiated by following core questions:

[1] Is your company failing to meet its goals? If so, which ones? Are the goals in question operational short-term goals, or were they attributable to faulty strategic planning?

[2] How much failure is attributable to changes in your internal and/or external business environment? Are any false assumptions responsible for the failure to meet these goals?

[3] Are your operational goals consistent with the external and internal ecosystem, reality and environments in which your company operates? Were the requisite metrics accurately applied? Might you be better off working with a target corridor rather than with a fixed number of goals?

[4] Does the cloud of failure, in terms of achieving your targets, have a silver lining? If so, what does it consist of? Let's say you've failed to meet this or that target. Is there any possibility that this failure might work to the benefit of reaching other goals? To what extent is the failure to meet this or that target a signal that you need to take action? If so, which action?

[5] Do your planned and implemented measures yield the desired results? Might you be better off developing a plan B?

[6] Are you making reasonable efforts to keep your employees, partners and any relevant third parties informed and involved in your target-achievement activities? Are there any motivating factors that you could bring to

bear that would promote achievement of your goals? Can you think of any factors that are demotivating for your team when it comes to making a firm commitment to help achieve your goals?

[7] Which adjustments do you need to make in order to implement robust comprehensive sustainability in your organization?

8.3 Digital transformation

The term **digitization** refers to the gathering of information for purposes of processing and storing it in a digital system by, for example, scanning a document for storage in a computer. What started out as translation of information into binary data (0 versus 1) revolutionized the world and businesses. As the result of technological advances, digitization now also includes the use of digital technologies and the process automation, networking and integration enabled by these technologies. The first computers were developed more than eight decades ago, and back then the main purpose of information technology (IT) was to **increase efficiency** through the use of punch-cards and punch-card readers that **automated** iterative processes in mainframe settings. Software engineering then developed applications and tools to support business administration and workstations (e.g., office programs like word). With the invent of standardized solutions IT developed as backbone in companies – such as customer relations management (CRM) and enterprise resource planning (ERP) programs. Software now helped to make processes more flexible and allowed individualized solutions. The advent of worldwide computer networks paved the way for the **Fourth Industrial Revolution**. IT, global data networks and cloud solutions enabled technologies and innovative business models – the drivers of industrial change via cyber-physical systems (CPS) and artificial intelligence (AI): the Internet of Things (IoT), sensor-based data mining, cloud computing, big and small data analytics, industry 4.0, blockchains and krypto-currencies, smart solutions for home, e-commerce, and Agriculture 4.0.

> The German Ministry of Food and Agriculture reported: *"A boost for innovative quasi-agricultural startups. Block-chain based monitoring of farm products, and real-time soil analyses for plant protection management and fertilizing: the farming and food sectors are cutting-edge, pioneers in today's economy, and their undertakings are opening up whole new conceptual worlds. The government has taken note and is getting into the act with a new startup subsidy program."*

Digitization is a tremendous and increasingly important aid to define goals, target achievement, control and fine tuning. Digitization enables companies to cut costs by optimizing the efficiency of their business and work processes. And what's more, digital processes can help to improve quality in that they make it easier to **detect – and thus avoid – errors and anomalies**. The use of digital technologies can also enrich the **customer experience**, by virtue of the customer data such technologies help to compile; plus, use of such data can potentially help to better identify and customer needs and optimize customer contact. Digitization opens the door to dynamic, innovative and potentially lucrative deliverables and business models – a well known example of this being Uber, which uses digital apps to communicate the locations of potential passengers and to convey this information to drivers who are available

nearby. Financial accounting apps help small businesses to generate product lists and invoices and tax information and simplify document archiving processes. Specialized digital platforms, as well as podcasts and web conferences, help entrepreneurs to acquire online marketing skills. Increasingly, digital services can be sourced via purchase, pay-by-use, or lease terms. In light of the dynamic development of new digital instrumtens and the need to check whether the products fill your individual need, flexibility can be advantageous for small businesses in particular, to transform your processes into the digital world.

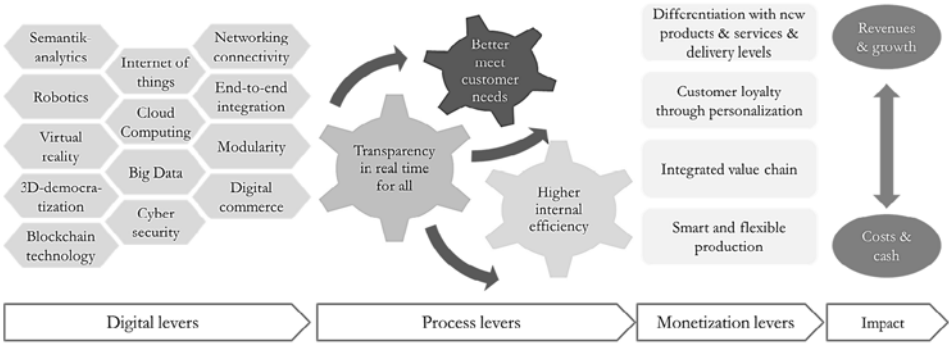


Figure 135: Digitization: levers and impact (adapted from Wieselhuber 2018)

If small businesses still face considerable challenges in the digitization realm, the use of digital technologies enhances productivity and serves to optimize small business's performance when it comes to environmental protection and worker health, as well as safety and security. Like Industry 4.0, the agricultural sector is making considerable headway in instituting comprehensive IT applications, with a view to capitalizing on potential.

> The automated vehicle and equipment operation solution for mechanized rootstock cultivation developed jointly by the German **Braun Maschinenbau**, developing and manufacturing machinery specifically for organic soil cultivation in vineyards and orchards, and the German agricutltural machinery manufacturer **Fendt**, was recently awarded an innovation prize: *"The solution's laser technology makes it possible to guide tractors using data concerning ground contours, grapevines and the like, such that the tractor goes into autopilot mode. The combined tractor and device guidance solution makes mechanical root stock work far simpler. Apart from reducing the tractor driver's workload and higher coverage of acreage, more accurate control of the implemented mechanical tools also reduces the use of crop protection."* (Agritechnica trade show press realease 2019)
>
> The use of artificial intelligence (AI) is becoming ever more prevalent in winegrowing. The German winegrowers' cooperative **Deutsches Weintor** tests computer aided grape harvest yield projections and decision making with a view to optimizing the efficiency and product quality of the cooperative. (Schönhöfer 2021)



Digitalization has not yet reached the same level of relevance in the wine industry´s innovation portfolio. Thus far, in the German winegrowing industry, digitization is

predominantly used for administrative purposes and for customer interface management. But the surveys indicate a) a strong growth of digitalization in relevance to the prior surveys and b) pioneering wineries outpace foremost in digitization:

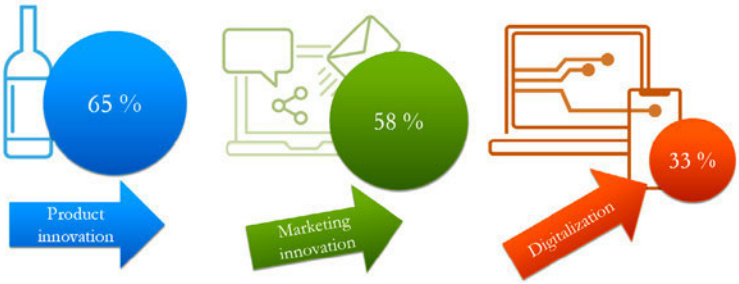


Figure 136: Innovation focus in German wine industry (survey results; % of realized innovation measures; arrow direction: horizontal = no change, steepness = massive change to prior survey)

> At the Spanish winery **Sommos** (prior **Irius**) technology is a backbone in wine production. Automated wine logisitics and barrique-movement using semi-automatic robots strongly reduced human intervention in the process.
>
> The status of the grapevines at the US-based **Palmaz Winery** are monitored using thermal imaging technology. Their systems and software use a combination of sensors, probes and x-rays, to gather and analyze millions of data points that help standardize and improve vine growth, detect problems such as viruses, insects, or broken water pipes before they can impede growth, as well as inform the best conditions for wine fermentation, production and storage. The data thus compiled is used by the winery itself and is sometimes projected on the walls of the winery's wine cellar. *"One of the challenges we have in winemaking is that it takes an incredible amount of time. You're building on what you've done just yesterday for two to two-and-a-half years. When you get to the finish line and you're presented with these raw ingredients, you struggle to know what single point is responsible for the things we're proud of versus what we're not so proud of."* (own research & Sokolowski 2023)

E-commerce underlines that the pressure to change is demanding and taking on ever greater importance. A decade ago still marginal, in 2020 in German speaking regions (Germany, Austria, and part of Switzerland), e-commerce accounted for consolidated volume exceeding €100 billion – the equivalent of 25 percent of e-commerce product sales in the US. It's important to realize, in this context, that you can only fully capitalize on the potential of greater productivity and the other blessings accruing to digitization insofar as the requisite data is available and used **across all value creation phases**. For the fact is that data has become a commodity in and of itself, i.e., it can be bought and sold. And when it is bought and sold (or even if it is proprietary to begin with), data, thanks to algorithms and AI, can be used to analyze and **gain insight into customer usage habits**, purchasing behaviour and product/brand preferences. Today's businesses often go to great effort and expense to access, analyze and use data in order to optimize their offerings but also to push their brand. Consumers also devote considerable effort to analyzing data for purposes such as comparing prices and product features online. Data is also important to company's stakeholders: tax officials verify the plausibility of the gross income indicated by restaurants on

their tax returns by comparing these figures with the relevant mean values. In other words, it's well worth your while to concern yourself with ways data can be used to further your interests as an entrepreneur.

The Portuguese winery **Sogrape Vinhos** has digitized the entirety of its production processes and interfaces, thus allowing all of the winery's processes to be monitored digitally. Plus the winery uses blockchain technology to allow for seamless monitoring of all relevant processes and activities.

Artificial intelligence (AI) exists when data processing systems independently generate knowledge without human intervention possessing qualities that are gerenally associated with the human mind (such as the ability to reason, discover meaning, generalize, understand language, recognize pictures, and learn from experience). Since the development of the computer, it has been demonstrated that electronic machines can be programmed to carry out very complex tasks — such as discovering proofs for mathematical theorems or playing chess — with great proficiency. AI goes beyond advances in computer processing speed and memory capacity to intentionally match human flexibility over wider domains or in tasks requiring much everyday knowledge with first applications as diverse as medical diagnosis, computer search engines, voice or handwriting recognition, and chatbots.

A research project indicates AI´s potential for creative destruction: "*In the PINOT project, the use of artificial noses for wine quality analysis is being researched. The artificial nose is a novel analysis system that can be used to detect aroma signals in a matter of seconds. For quality assurance, traceability, sustainability and ensuring the authenticity of wine, it will become increasingly important to link the information provided by the producers with the quality-relevant data of the wine aroma. The aim is to reflect human sensory impressions, such as taste, aroma and appearance, as accurately as possible.*"

The wine industry may be one of the oldest in the world, but it's begun to dive into AI technology in an effort to optimize vineyards and production processes, and gain a better understanding of customer tastes and preferences
Thea Sokolowski (Director of Marketing at Outside Insight)



Video link Palmaz Winery: Winemaking goes cutting edge – YouTube

8.4 Change management

Strategic management and achieving objectives require constant and often substantial change in an enterprise – processes, structure or behaviour. Change management consists of an **orchestration** by various instruments to overcome almost natural **barriers to change**. The reorganization that you need to undertake time and time again safeguards to keep up with changes in consumer purchase behaviour and the technological environment. Reorganization consists of a series of careful understanding of actual processes (as is); critical assessment thereof (also determining the reasons for reorganization and expected benefits); creation of target concepts (to be) and a roadmap for change:

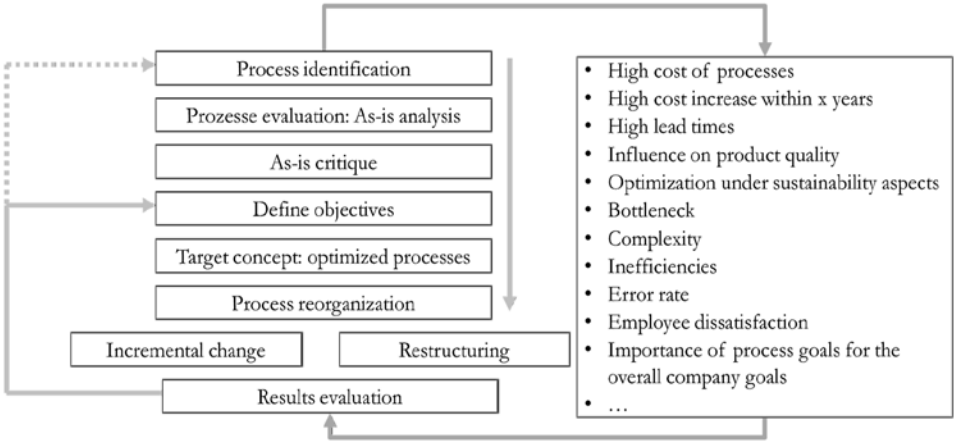


Figure 137: Processes reorganization and redesign

Optimization involves a myriad of levers. In some cases, merely **eschewing** certain activities such as generating documentation that produces no discernible value. **Outsourcing** or **parallel pursuit** of priorly sequentially realized processes can also help to improve process quality and/or cut costs. It can be useful to explore these matters with your suppliers and retailers, or to compile relevant information via customer surveys.

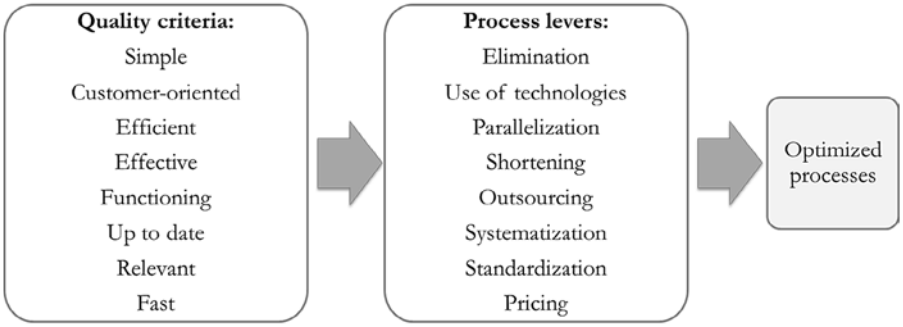
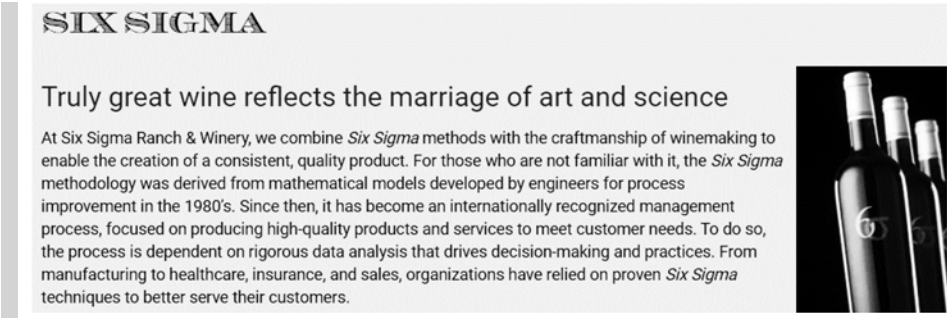


Figure 138: Process optimization

Certified processes (e.g., ISO norms) safeguard quality and optimization and make it easier to communicate information in their regard to the relevant actors (e.g., if purchasers require the fulfillment of norms). A strict quality-oriented management methodology is known as **Six Sigma** (6σ), a constant and deeply rooted approach to implement best-in-class optimized processes.



In a business context, initiating or effecting change needs **top-management motivation** by the company's heads and the entrepreneur, given the fact that human beings tend to resist efforts to dislodge them from their accustomed comfort zones and habits. You should also bear in mind that effecting such changes can be a risky proposition and that can have unexpected consequences – and this, too, creates resistance to change. And then there's the undeniable fact that many people feel (and often they are right), that the ones mandating changes in their work environment and practices may not be the ones most impacted and often the benefits of the ones willing to change might not be valued at the end of the process. If you decide to make changes in your company's processes and/or business model, it's best to manage these changes with these barriers in mind. Explaining the **need of urgency** goes a long way toward overcoming the all too human tendency to resist change. Because once the concerned realize that the changes proposed are at least, to some degree, a do or die matter for the organization, there is more acceptance and **readiness** to make the changes.

Change management stands for an intentional, engaged and controlled transformation process within a given business enterprise. To this end, using various phase paradigms and a host of tried-and-true organizational design tools, new strategies, structures, systems, processes and/or modes of behaviour are implemented in a targeted fashion. The rough phases of a change process are symbolically named "unfreezing" (destabilizing structures), "moving" (shaping change) and "freezing" (stabilizing the target state).

Social attitudes such as sustainability and changes in consumer purchasing behaviour (e.g., online shopping) but also a dynamic external environment illustrate the pressure to enable change. The **Covid crisis** created a tremendous sense of urgency that was accelerated by digitization (e.g., online wine tastings instead of stops at wine boutiques). The use of **3D printers** to make breathing masks and the like to quickly solve unexpected needs (as in the Covid pandemia situation to avoid mortals or severe health injuries) underlines the astonishingly dynamic changes in business and society that an inescapable sense of urgency can promote. Once consumers grow accustomed to new processes, the aforementioned habituation-induced switch to new modalities will **take hold** and ensure continuity – becoming the new norms. The widespread Covid-induced confinement and social distancing did wonders for online merchants' sales.

Docteur.Gab (aka Brasserie Dr. Gab's), which describes itself as a pioneer in the Swiss craft beer scene, serves as example for change willingness in business. The company revamped its business model in the early days of the Covid crisis in light of the tremendous impact that the crisis was having. Dr. Gab's was as a pioneer in the conversion from beer to alcohol production as a hygienic agent urgently needed at the start of Covid. The company also actively motivated partnerships in that their beer distribution was opened to food retailers that used to be Dr. Gab's wholesale customers. The company has also expanded the scope of its online retailing in that customers can have Dr. Gab's beer delivered right to their doorstep – with a double-digit monthly growth rate obviously a significant driver of the company's resilience. Dr. Gab's has also instituted a groundbreaking initiative aimed at supporting restaurants that are in financial trouble, via a financing platform – an exemplary customer support.

Despite shorter life cycles and pressure to change the systems it is essential that you ensure a stable situation so that the organization finds a new balance after radical change. Change without a **freezing phase** jeopardizes continuity and sustainability and carries the risk of disorientation. Such a situation is equivalent to the problems of frequent changes in leadership. Bear in mind that in change, strategic reorientation, restructuring and in all transformational processes, **new and different objectives** will be set, and your team and employees will be asked to adapt accordingly. If this is done too frequently without a phase of stabilization, you will end up in **confusion**, the desired transformational processes will be stymied. Avoid such situations similar to ones where the senior management is exchanged in short cycles as you risk making your employees leery of, or even actively opposed to, any further changes that you might be inclined to implement. If you want to master the art of instituting change in your organization, then you will need to factor into such efforts your organizational structure and informal power structures – and above all, the importance of being consistent with the warp and woof of your company. Whereas large companies engage "change managers", in small businesses, this task normally falls to the company's entrepreneur.

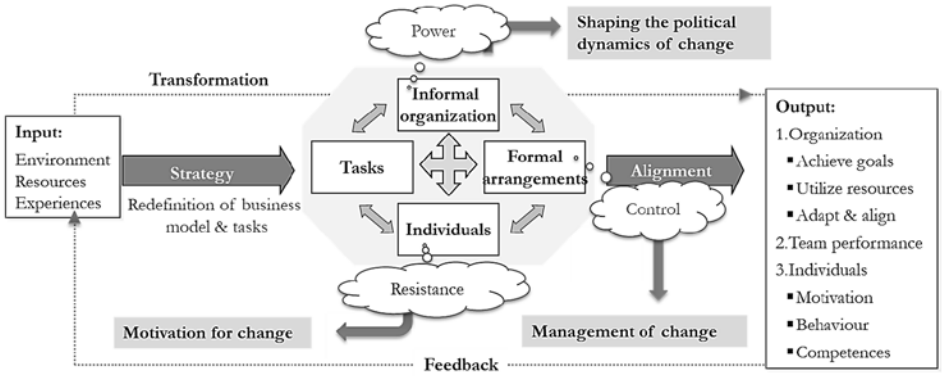


Figure 139: Change management (adapted from Nadier 1988)

In addition to **speed** and **reliability**, **sustainability** is fast becoming one of the three most important decision-making factors. Which is why sustainability orientation, and the attendant business communication activities are becoming a pivotal consideration

for strategy design and a driver of change. Sustainability therefore is as motivator, driver but also an outcome of astute change management. Apply the above presented instruments and steps of process reorganization, facilitated by a critical analysis of the economic, ecological and social aspects of your company's processes (e.g., optimize processes to reduce energy consumption, to cut process costs, or to improve the work-life balance), to transform into sustainability management.

> A sustainability report issued by the German winery **Weingut Scherr** discusses the process changes concerning matters such as water consumption that the company implemented via technologies, alternative investments, process design, and eliminating certain process steps. Following is an excerpt from that report: *"We are instituting a number of measures aimed at reducing water consumption, including the following: equipping hoses with spray heads; discontinuing tank sprinkling by switching to fermentation cooling; purchasing a high-pressure cleaner; and discontinuing the use of hoses for cleaning purposes."*

8.5 Crises – an opportunity?

Unforeseeable, **disruptive** and unsettling environmental forces that in many cases have a devastating impact on both people and the environment are becoming ever more common and are thus having an ever-greater impact on businesses and their activities. The acronym **VUCA**, which stands for **volatility**, **uncertainty**, **complexity** and **ambiguity** – highlights that strategizing should take these factors into consideration. A **sensitive perception** to environmental change and immediate reaction, flexibility and spontaneity characterize **entrepreneurial resilience**. This does not of course mean that you can simply dispense with the now more than ever vital task of factoring possible future scenarios into your company's plans; but especially in disruptive environments, adaptive and sensitive companies strengthen their resilience.

> Business **resilience** is the ability of an organization to quickly adapt to disruptions. Resilient enterprises are sensitive to environmental demands and react by entrepreneurial, situative but proactive measures. Business resilience is a relatively new but rapidly growing research field. Initially, findings from the fields of psychology, medicine and ecology concerning the processing of traumatizing or destructive experiences were used, in operational contexts, for materials research and downstream ecosystem issues.

The characteristic ability to adapt to exogenous environmental factors is important and a consituent for strategic management, organizational design and innovation management. A strategy requires an examination of one´s assumptions of environmental change, adequacy

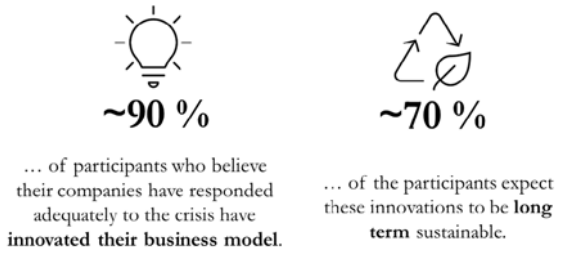


Figure 140: Strategic planning in crises situations (McKinsey survey 2021)

of created scenarios and defined measures, developments and deviations from strategic thoughts. A strategic action cycle with constant checks and balances of the hereby presented elements foster organizational resilience:

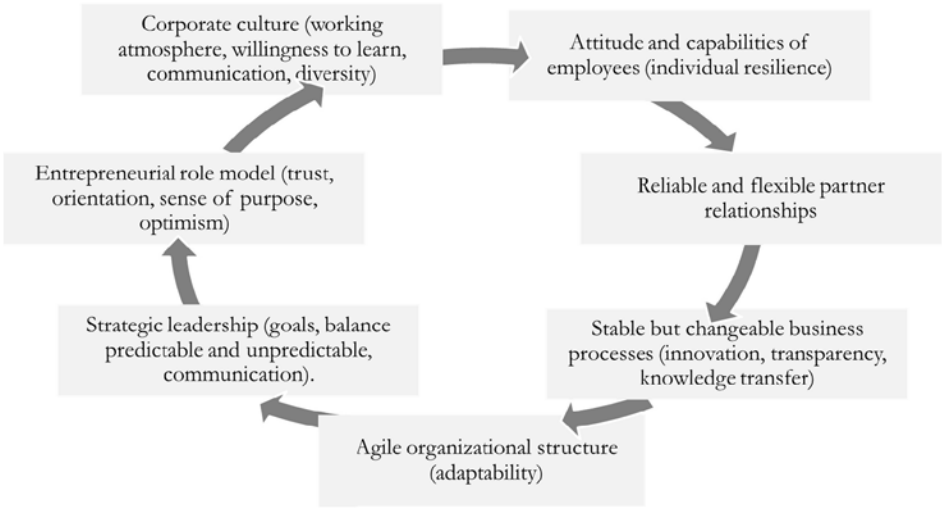


Figure 141: Business-resilience cycles and the related design elements

What sustainability means in the final analysis is that a company's ultimate goal is to do whatever is necessary to **ensure its longevity** – which should above all include making business resilience a core precept of sustainability. Covid has graphically demonstrated the power of a crisis to catalyze all kinds of actions and attitudes that would have been unthinkable if Covid had never existed. One major effect of the pandemic was that businesses innovated with a view to emerging from the crisis stronger than ever, that to varying degrees contributed to sustainability – including neighbors helping each other; mutual support networks; supplying badly needed machine; partners of companies rendered inoperable by the flooding doing their shipping; fundraising campaigns – are also prime examples of how a crisis can catalyze unusual solutions.

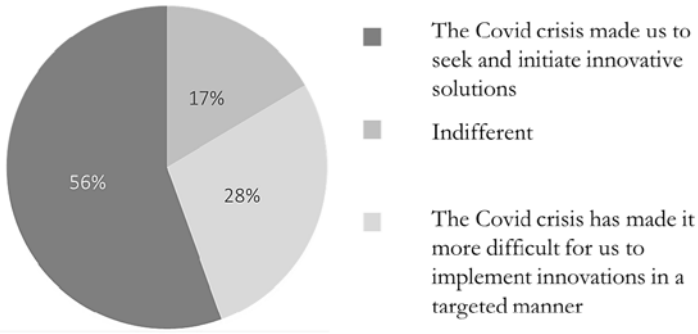


Figure 142: Covid-induced boosts to innovation in the German winegrowing industry (survey results)

Business management literature points to a potential sequence of of crises phases starting by **external crises**, and if companies do not adapt and change, it may soon be staring down the barrel to finally face a **financial one** that may culminate in bankruptcy. Which just goes to show how essential the early **detection** of crisis situations and taking timely countermeasures is. Rethinking strategic objectives and the achievement thereof is an important **risk provision**. If you see that your liquidity and/or earnings are beginning to dry up, take action to avoid the onset of an actual earnings crisis via measures such as restructuring or requesting help from trusted partners.

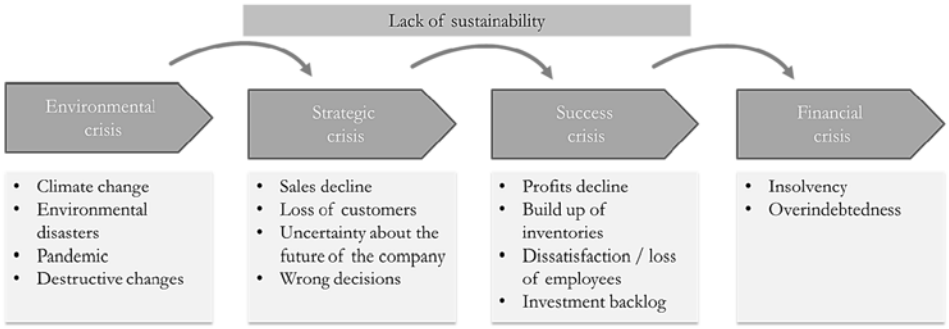


Figure 143: Crises signs and vicious circles

There's one other dimension of this intertwining of crises that's worth mentioning. Sustainability is fast becoming a so-called **hygiene factor** (i.e., one that is expected as a basis and not as a benefit). In other words, companies are expected to make their activities sustainable. Deficient sustainability management more often than not leads to strategy-related crises. A textbook example of this is the BP oil spill. The company had what looked like a winning strategy whose supposed sustainability was conveyed via elaborate corporate communication – but which failed when it came to operational management. It ended up causing an environmental disaster of unprecedented proportions and massive value destruction for the company. Sustainability coherently channels a company's myriad aims with a view to minimizing the potential causes of crises. A strategic ambition of VW ignoring sustainability was their plan to become the world's largest automotive group. The uncontested ambition to become number one put aggressive growth as primary if not sole goal at the expense of sustainable action. Indeed, through unlawful conduct and to the expense of the environment. The discovery of VW cheating pollution emissions tests by use of a software to disguise emissions values ("achieving" emission targets supported sales) has triggered a dramatic destruction of value and market capitalization of VW. Major missteps of this nature can, in an organization with a serious commitment to sustainability, result in a re-prioritization of corporate goals – and may thus enable the company to implement comprehensive sustainability management, nip impending in-house crises in the bud, and contribute to the betterment of society.

Crisis management calls for **far reaching business model innovations** that center on sustainably.

> "*Not your typical partnership*: *The German winemaking cooperative* ***Alde Gott Winzer*** *and a local pharmacy are, in response to the Covid crisis, jointly making dis-*

infectant for a German pharmacy, to the tune of around 1,500 bottles daily." (Bott 2020)



"There's no such thing as a crisis that doesn't open the door to opportunity. One example of this is the German company ***Wein:Sein*** *was that inaugurated a new regional online marketplace in the times of Covid-pandemia."* (Voigt 2020)

The German winery cooperative **Mayschoss-Altenahr** was so hard hit by the 2021 flooding that the cooperative's very existence was threatened. But despite this situation the cooperative shows resilience: "*The storm is getting stronger – we do too: In 2020, the winegrowers' cooperative was faced with very significant operational challenges and restructuring due to the Corona pandemic. Employees had to be put on short-time work at short notice, wine tasting was banned in the vinotheques, wine tastings and events had to be cancelled almost all year round. New ideas and concepts were needed, and so the model of digital wine tasting was very quickly well received and has prevailed to this day. In 2021, the pandemic also dominated business and private life, but the year was to take on a completely different meaning in the history of the cooperative. On July 14/15, 2021, the winegrowers' cooperative was hit hard by the devastating floods on the Ahr River. With unprecedented destruction, also our vineyards were severely affected. The year 2022 was dominated by demolition work. We are still in the renovation phase but also suffer the lack of craftsmen and especially the shortage of raw materials. Our vinotheque, event rooms, administration and bistro are still in the planning stage. Freely following the motto "What one person can't do alone, many can", the approximately 460 members pull together with the other winegrowers and many countless helpers to make the Ahr Valley what it once was.*"

It is time to reflect:

[1] Rate where you stand in regard to transparency and meeting your ambitions on a scale from 1 (very poor) to 10 (excellent). Create an action plan in case you determine a need to become better. Check your success in a defined time lag (e.g., one year later)

[2] Which data would help you to feel more secure and how can you generate the information? How can digitalization be of help and what are the needs to invest in capabilities, systems or infrastructure?

[3] Create "worst case scenarios" and hypothesize the impact on your business. Are your resilient to survive the unexpected?

[4] Reassess the sustainability of your business model in all aspects. Where can you claim to be benchmark, meet basic expectations, or underperform (and why)? What is your change model to increase sustainability?

9 Summary and outlook

Many small business entrepreneurs are wondering whether in light of the upheavals and changes occurring in today's business climate their business is **fit to face the challenges** that may be coming down the pike during the next five to ten years. Existential questions arise such as: Is there a need to completely reorient the company? Is the company entrepreneurial enough? Are opportunities sufficiently identified and seized? Are risks detected in a timely fashion? Is sustainability management aimed at ensuring the long-term survival of the company and the good of society in the years to come (and especially for future generations) robustly embedded in the strategies? Needless to say, finding answers to these questions may seem like a daunting task, given the myriad trends and the implications thereof for your own business model that you need to take into account. But if you indeed feel this way, you can take comfort in the fact that even seasoned futurologists have noted the growing complexity of these matters owing to the massive scope and intertwining of the social and technological changes that come into play. But you'll also need to factor into your considerations unpredictable turning points in the relevant situations and their impact on your company. **Sustainable and strategic entrepreneurship** is the solution to navigate successfully, to win customers and stakeholders, and to secure resilience and success.

This book explores **sustainable and strategically embedded entrepreneurship** alongside tools and illustrations and intends to inspire you to develop concepts, evaluate and optimize a strategic, sustainable and customer-centric business model. If you want your company to remain in existence, and thrive, then you'll need to take into account and make diligent efforts to meet the requirements of all stakeholders and other relevant players. Climate change, species extinction, the seemingly intractable problem of waste, carbon emissions or resource scarcity are just few symptoms that are caused by businesses. Business owners therefore need to address these existential topics in their managerial and strategic decisions. Which means that society, the business community and each and every one of us are duty bound to do whatever we and they possibly can to ensure a safe, healthy and livable planet for future generations. Create **your roadmap for your enterprise** to enjoy the journey and be proud of **your contributions**.



Figure 144: The process of successful entrepreneurship (adapted from Kerr et al 2017)

Small businesses can cope with the complex challenges resulting from evolutions and disruptions more effectively than large corporations, given their capacity to respond in a **flexible and agile fashion to change**. Strategic and sustainable entrepreneurship covers all the bases when it comes to the levers and drivers of success.

In view of the turbulent and challenging times we are now living in, it is absolutely essential that companies wishing to assure a successful future for themselves in increasingly competitive markets, prioritize **forward-looking action**, **entrepreneurship** and **agile business management**. The key to achieving strategic agility is to focus on proactive and anticipatory action that takes all-encompassing flexibility as its starting point – and mantra. Hence, instead of withering on the vine by adhering to lengthy and detailed five- or ten-year plans, strategic management should be based on close observation of all aspects of the ecosystem in which your company operates, seizing opportunities the moment they arise, and entrepreneurial risk management. You will go a long way toward accomplishing all this if you are able to deal successfully with the following elements:

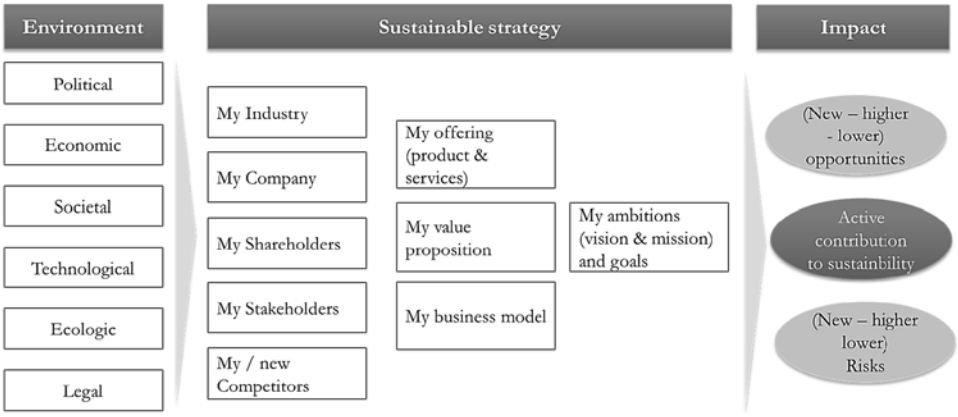


Figure 145: The sustainable entrepreneurial management system paradigm

Sustainable entrepreneurship – by which I mean strategic, thoughtful management based on sustainability criteria and goals – will work to the **benefit** not only of your company, but also all relevant stakeholders and society at large. Sustainability thereby transforms into a natural byproduct of strategic, entrepreneurial business management. This approach will enable entrepreneurs to lay the groundwork for sustainable, strategic business leadership – but will also require you to refine, revise and rethink your company's strategic gameplan. Sustainable entrepreneurship can be a powerful lever of motivated, creative and convincing strategic action based on a winning and adaptive business model. In this paradigm, sustainability is also a vital tool for optimizing your company's **transparency** and for ensuring that it will produce value sustainably, be successful and performing, and above all be fulfilling for the entrepreneur – key driver and source of satisfaction for engaged businesspeople.

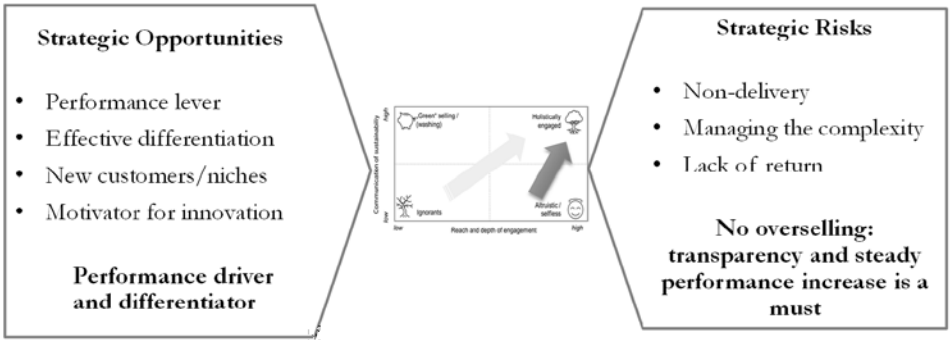


Figure 146: The strategic value paradigm of sustainable entrepreneurship

The importance of sustainable entrepreneurship and adroit strategic management is poised to increase in the coming years in small businesses, the winegrowing industry and well beyond; and this trend will very likely go a long way toward securing a safe, healthy and above all **sustainable future** for all of human society. Anything you do, whether in your company or in your private life, to promote, further and implement sustainability is meaningful, helpful and necessary. This book intended to provide impulses and transparency to motivate you to engage and excel.

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Abbreviations

AI: artificial intelligence

App: Application

B2B: Business-to-Business

B2C: Business-to-Consumer

BBQ: Barbeque

BSC: Balanced Scorecard

CLV: Customer Lifetime Value

CRM: Customer Relationship Management

CSR: Corporate Social Responsibility

DNA: Deoxyribonucleic acid

ERP: Enterprise-Resource-Planning

GDP: Gross Domestic Product

Ha: Hectar

Hl: Hectoliter

HR: Human resources

ISO: International Organization for Standardization

IT: Information Technology

KfW: Kreditanstalt für Wiederaufbau (public financial institution in Germany)

KPI: Key performance indicator

LOHAS: Life of Health and Sustainability

NFT: Non-Fungable Token

OIV: International Organization for Viticulture

PR: Public relations

R&D: Research and development

SDG: Sustainable Development Goals

SWOT: Strenghts, Weaknesses, Opportunities, Threats

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Successful strategic management of small business isn't always as easy as it looks, given the dynamic changes, turbulent business environments, and in many cases severely restricted room for maneuver that prevail nowadays in Western economies. Which is why strategic and sustainable business governance and operational management are taking on growing importance, especially in sectors consisting mainly of small businesses. Although much has been written on these subjects, a book that resolutely focuses on the nuts and bolts of strategically focused sustainability management is needed, especially for smaller entities. More than 200 illustrative examples of best practice and other scenarios drawn from actual practice in the wine industry and elsewhere; plus more than 160 graphics, and a wealth of empirical data serve to answer the „why and how" of strategy and sustainability in the small business sector.

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