Exploring features and opportunities of rapid-growth wine firms in Chile

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Abstract

While much has been studied regarding the wine industry in Spain and France, little has been studied in developing countries. The aim of this work is to study the characteristics of dynamic wine firms in Chile. This paper presents qualitative research and reports six cases of wine companies, where several variables are analyzed according to Barringer, Jones and Neubaum framework. These variables include prior experience, founders' knowledge regarding large company management, the use of strategic-planning systems and the use of new technology in the majority of its production. The results of this research could prove insightful for wine entrepreneurs looking to enhance their growth, based on greater differentiation and innovation, and not only on being competitive in pricing.

Keywords: Wineries Dynamic entrepreneurship Chile

Exploración de las características y oportunidades de empresas vitivinícolas de rápido crecimiento en Chile

Resumen

Mientras mucho se ha estudiado sobre la industria vitivinícola en España y en Francia, poco se ha estudiado en países en desarrollo. El objetivo de este trabajo es estudiar las características de emprendimientos vitivinícolas dinámicos en Chile. El trabajo presenta un estudio cualitativo y reporta seis casos de estudio, donde una serie de variables son analizadas según el modelo de Barringer, Jones y Neubaum. Entre estas variables destacan: experiencia previa, conocimiento de fundadores en gestión de grandes negocios, uso de sistemas de planificación estratégica y uso de nuevas tecnologías en la mayor parte de su producción. Los resultados de este trabajo podrían ser interesantes para emprendedores vitivinícolas que buscan potenciar su crecimiento con diferenciación e innovación, y no solo competiendo en costo.

Keywords: Wineries Dynamic entrepreneurship Chile

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Explorando as características e oportunidades de empresas vitivinícolas de rápido crescimento no Chile

RESUMO

Enquanto muito se tem estudado sobre a indústria vitivinícola na Espanha e na França, pouco tem sido estudado em países em desenvolvimento. O objetivo deste trabalho é estudar as características de empreendimentos vitivinícolas dinâmicos no Chile. O trabalho apresenta um estudo qualitativo e relata seis casos de estudo em que um número de variáveis são analisadas de acordo com o modelo de Barringer, Jones e Neubaum. Essas variáveis são: a experiência anterior, o conhecimento dos fundadores na gestão de grandes empresas, a utilização de sistemas de planejamento estratégico e a utilização de novas tecnologias na maior parte de sua produção. Os resultados deste trabalho podem ser interessantes para os empresários vitivinícolas que procuraram melhorar o seu crescimento com a diferenciação e inovação, e não apenas competir em custo.

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1. Introduction

The behavior of the international wine industry has been widely studied in countries such as Spain, Italy and France (Bardaji, 2004; Deconinck & Swinnen, 2015; Flint, Golicic, & Signori, 2011; Loubère, 2014). However, after the entrance of the “new world” in the wine market, i.e., namely the wines from Chile, Australia, New Zealand, South Africa, Argentina and the United States, California in particular, little has been investigated and characterized regarding this industry in the Chilean context.

The latter certainly is a disadvantage for Chilean wine firms, which may not necessarily be aware of the determinant factors that explain their increased competitiveness, not only in the current market scenario, but also in the future of a market that is growing tremendously, even presenting the fastest growth (Berrios & Saens, 2012).

The aim of this study is to provide information and knowledge regarding the features and explanatory factors that allow enhanced development of rapid-growth wine firms in Chile, which create a greater impact on the economy, not only by generating a large sales volume, but also by creating more jobs and adding more dynamism to the industry.

To answer this, the paper applies case study methodology as a means to analyze the factors that could cause the rapid-growth of wine companies in Chile. Six wine firms founded in Chile between 1990 and 2006 were analyzed, divided into two groups; three companies demonstrating rapid-growth from their beginnings, also referred to as gazelle companies, and three companies showing gradual growth. The selection criteria for this sample corresponds to companies whose efforts to achieve growth mainly focus on the international market, with 75% of total sales in exports and family-owned administration.

Among the main results of this paper, we can indicate that the typical characteristics presented in the literature of dynamic firms (Barringer, Jones, & Neubaum, 2005) are not always present in the Chilean wine industry. For example, it is impossible to differentiate dynamic entrepreneurial from gradual growth companies by passing annual sales of $100,000 USD during the first year of their foundation. There are also no differences by having over 20 workers, or by having a founder with higher education, or previous experience in the same industry. Neither a network with inter-organizational partnerships nor the use of multiple-distribution channels would be relevant to distinguish dynamic entrepreneurial from gradual growth firms.

Nonetheless, new factors that are particular to dynamic wine firms would prove relevant to be analyzed, among which we find: previous founding experience in large businesses; formal establishment of a growth-based strategy and investment in the innovation processes.

Most of these parameters can be associated with founders’ prior experience in businesses that are different to the wine industry, where they have managed to value certain best practices which include a higher average price per bottle, a customer-loyalty indicator for the product, and the use of new technologies in their processes, which is the main feature of dynamic entrepreneurs.

The results of this work could be considered by wine entrepreneurs interested in promoting rapid-growth in their companies. In addition, it could also be of interest for economic development agencies that maintain and develop public programs to support industry competitiveness.

This paper is structured as follows. After this introduction, Section 2 describes the literature review. Section 3 explains the selected methodology. In Section 4 the results of case studies of six Chilean wine companies are displayed. Finally, Section 5 includes the conclusions and possible future research.

2. Literature review

The concern in Chile and in other developing countries to strengthen their economies requires investigating which factors could drive rapid business growth. In this regard, it is important that each project ideally follows dynamic growth, as it is considered the foundation for economic development, job creation, innovation, income generation and general community well-being (Cancino, Bonilla, & Vergara, 2015; Davidson & Delmar, 2006; Storey & Morgan, 1996).

Birch (1981) deeply analyzed which type of companies create more jobs in the US economy. He found that the most important companies in employment creation are those with an intermediate number of workers, but which are characterized by growing at a rapid pace, which led to the creation of the term gazelles for these new companies. Of the various forms of entrepreneurialism, dynamic enterprises, particularly high-impact type or gazelles, generate true momentum in the economy (Autio, 2007).

Fischer and Reuber (2003) consider gazelles, as companies that present a 20% growth rate in annual sales during 5 consecutive years, while for Barringer et al. (2005) gazelles are those which have a compound annual growth rate equal to or over 80% during a period of 3 years. Moreover, Autio (2007) defines them as companies with approximately 20 employees during their first five years, while Kantis and Diaz (2011) consider that gazelles are born as small businesses, but quickly transform into Small and Medium
Enterprises (SMEs). According to Cunneen and Meredith (2007), a fast-growing company should be managed independently, with a turnover of more than $100,000 USD the first year and reach growth rates of 40%. Finally, Leiva and Alegre (2012), regard gazelle companies as those that excel due to their growth, either in number of employees, sales, profits or a mixture of these factors. The difficulty in defining fast-growing ventures can be an indicator of the difference between the different business areas; therefore, for each study it is necessary to use the definition that fits the context, even creating a new one, if necessary.

Beyond definitions, gazelles appear to be an isolated phenomenon; 1 out of 7 companies as stated by Barringer et al. (2005) and from 2% to 5% of Anglo–Saxon companies according to Sims and O’Regan (2006), which turn out to be transcendental not only with regard to employment generation (Kuratko, 2005), but also to drive the development of competition and improve the state of supply (Leiva & Alegre, 2012), promote the general revenues of the country (Reynolds, 1987), and create new industries (Barringer et al. 2005).

In the latter sense, gazelle companies have been identified in a wide range of production areas, covering areas as diverse as technology (Grilli & Murtinu, 2015), construction (Auito, Arenius, & Wallenius, 2000), manufacturing (Allen, 1999; Case, 2001; Molina, 2009) or services (Delmar, Davidsson, & Gartner, 2003).

In 2012, a report written by ibisworld, a business information specialist, which situated the wine industry as one of the 11 industries with the greatest potential for growth in the future, based on both sales in previous years and on global demand growth, this is given essentially by the consumption boom in the United States (Berrios & Saens, 2012). However, despite the importance of the previous statement, it is not easy to currently find studies that attempt to determine the characteristics of rapid-growing companies in the wine industry.

The Chilean wine industry is raising questions on how to adapt the current model to transform it from a sector that reacts to global market conditions toward having a more proactive attitude, striving to develop growth in order to position itself as the leading producer of premium category sustainable wines in the “new world” countries (Berrios & Saens, 2012; Felzensztein, 2014; Valenzuela & Maturana, 2016).

The behavior, strategies and specific decisions made by wine-company management, within other attributes, will then be key factors in the development of dynamic entrepreneurialships. A summary of these characteristics can be seen in Table 1, adapted from Barringer et al. (2005) and Cancino et al. (2015). In the table, parameters addressing characteristics of the founders, the company organization and its business practices are described.

With regard to the founder’s characteristics, many researchers have described that personal attributes directly influence the rapid-growth of a company. According to MacMillan and Day (1988), previous experience in the industry by the founder is considered a factor that exerts a positive force for accelerated growth through the use of networking and market-knowledge. When focusing on higher education, Sapienza and Grimm (1997) argue that entrepreneurs, or business-owners, who have this level of education are able to develop their management better, based on communication skills and competencies that are consolidated as a result of these studies. In addition to these attributes, founders that have experience in business creation are also correlated with a rapid-growth of the new venture (Singer, 1995). For Baum et al. (2001), the features and the individual skills of entrepreneurs have a direct effect on the rapid-growth of companies; hence, private investors consider it important to know who the entrepreneur is in order to speculate on the success of a new business. Finally, in terms of social and professional networks of founders of new businesses, the literature indicates that a lack of critical resources in the early stages of development can be managed better by having a strong network of personal contacts. According to Donckels and Lambrecht (1995), entrepreneur networks have a great impact on the growth of new and small businesses, especially through the resources that can be channeled by third-parties and that supplement the meager assets at the beginning of operations.

The second dimension describes how a series of company attributes may affect business–growth strategy. On the one hand, Doorley and Donovan (1999) state that companies which formally declare the desire to grow rapidly in their vision and mission statements are more likely to succeed in doing so. On the other hand Kolvereid (1992) states that rapid-growth occurs when there is consistent commitment and alignment of both owners and managers toward a growth strategy. According to Barringer and Harrison (2000), among the most important attributes to grow are the formal relations of a given company with other organizations. Unlike personal networks, which as we saw in the previous section are very important, it is also possible to generate business networks with public institutions, which generate support programs intended especially for segments according to company size, target market, type of product offered, etc. The possibility to be part of a network designed by public programs to support productive development ensures valuable resources for further growth. Family businesses play a particularly important role in the wine industry, in fact, in Chile they encompass much of the industry, which dates back to the first vineyards established in the country. Family engagement could play a key role in the growth of these companies; as in these cases, the decisions made related to growth, investment and development issues are taken together with the family group that also manages the company.

The third dimension refers to certain business practices that are key variables for rapid business growth. For example, Kim and Mauborgne (1997) show that the delivery of products and services that create unique value for customers makes the difference to grow, especially if the value proposition is difficult to imitate. In addition, if these are higher-quality products compared with the competition, it will be easier not only to access the market, but also to be established in the market (Harrison & Taylor, 1997). Another business practice that becomes important is the ability and

<table>
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Source: Based on Barringer et al. (2005).
willingness to foster innovation. According to Cohen and Levinthal (1990), research and development activities not only generate the ability to innovate, but also strengthen the company to identify, assimilate and exploit the best available knowledge. Companies seeking to develop innovations permanently achieve differentiation and have greater potential for increased growth. For instance, in technology, although cases are known of rapid-growth companies involved in high technology sectors – Apple Computer, Cisco Systems, Oracle, etc., it is possible to identify them in a variety of other sectors (Delmar et al., 2003).

In summary, the factors shown in Table 1 refer to a range of attributes that would serve as a basis for identifying patterns in order to differentiate companies demonstrating accelerated growth in the wine industry over others that do not reflect the same behavior. In the following section, an exploratory analysis of representative factors of dynamic enterprises will be described in the Chilean wine industry.

3. Methodology and data

This paper uses qualitative methodology to explore the determinant factors of dynamic entrepreneurship in the wine industry in Chile. The basis of this qualitative research lies in the interpretative approach to business reality and in the description of the lived experience of entrepreneurs and firms of the wine industry.

3.1. Methodology

One of the most common approaches when testing a theory or developing a new hypothesis regarding a specific question is conducting a case study or analysis. Case studies, originated from medicine (Chave, 1958), have been widely used in many areas of knowledge (Barringer & Greening, 1998; Chetty, 1996; Maxwell, 2008; Yin, 2011, 2013), and according to some authors, general conclusions can be extrapolated to other cases of similar features to those observed in the study (Maxwell, 2008; Rialp, Rialp, Urbano, & Vaillant, 2005). Therefore, this paper considers case study methodology as an effective way to analyze the factors that could cause the rapid-growth of wine companies in Chile. The strategic development plan of the industry by the year 2020 (Felzensztein, 2014) is highly associated with the development of new industry players, and consequently, it becomes important to know which are the best business practices to follow.

This analysis focuses on six vineyards founded in Chile between 1990 and 2006, divided into two groups with 3 companies demonstrating rapid-growth from their beginnings, also referred to as gazelle companies, and 3 companies that do not show accelerated growth. The selection criteria for this sample corresponds to companies whose efforts to achieve growth mainly focus on the international market, given the reduced demand for the product in the domestic market, compared with the volumes of wine production in the country. In all the studied cases, company exports are estimated to represent over 75% of total sales, which makes them interesting cases for analysis. Likewise, all companies have premium brands within their product portfolio, and can be considered family businesses, because one or more household members participate in the business either in administrative positions or on the board, allowing the various cases to be comparable among each other. The first matter to be established was the definition of the study variable (operationalization), for which the criteria of Fischer and Reuber (2003) was used, which classified dynamic entrepreneurs, or rapidly-growing firms, as those companies showing a growth rate in sales equal to or above 20% per year. It is important to emphasize that in our study object, sales did not occur until 3–5 years after beginning operations, due to the varied processes and stages involved in the wine industry.

As a first data source, records were used from the databases of www.mercantil.com, www.amarillas.com and www.guioteca.com. The purpose of these portals is to offer products and services that seek to improve the return on investment of their clients, enabling them to connect with their users through a wide range of platforms, where users have 24-h online accessible information of participating companies, and also through telephone contact with representatives. Within these business portals, mercantil.com gives access to the database of Chile’s largest companies, with over 110,000 companies in different fields, reporting details of each company, including company ID number, contact details, number of workers, trademarks, branches, commercial area or registered activities within the Internal Revenue Service data, annual imports and exports, details of imports and exports by countries, certification and participation in business organizations.

Using the database available on mercantil.com, 110 wine companies in the industry were identified, of which were discarded for not focusing on wine production, but on tasks associated with the industry (label manufacturing, distributors and suppliers); 31 were not considered due to lack of information regarding their annual sales or exports (precluding their classification in accordance to growth); 45 companies corresponded to long-standing businesses in the industry, of which no information regarding their sales during early years of operation or of their branches are available. Of the remaining companies, 17 were described as rapid-growth firms and 8 as slow or of irregular growth, following the definition cited above. Of these 25 cases, detailed information was accessed on 3 companies in each group, validating the information obtained through the database with semi-structured interviews to a group of experts made up of industry entrepreneurs, directors of wine associations and researchers in the field, ensuring the internal validity of the information used during this research. During the semi-structured interview, internal documentation of each company which could be useful for this study was requested and collected, under strict data privacy conditions. The semi-structured interviews contemplated a series of questions which were asked in the three cases, having the opportunity of capturing new concepts or variables that were relevant in the process of accelerated internationalization. Every response the interviewees gave, in terms of having or not having strategic planning, or owning certifications, or developing investment projects, was validated by observing the documents or certificates, in order to obtain real answers, identifying resource allocation. The combination and comparison of the various sources of information reinforced the internal validity of the study and its results.

Finally, all relevant information publicly available (brochures, documents, agreements, corporate web sites, etc.) as well as private documents from each company that could contribute to the development of the research was collected, ensuring the proper use and storage to protect the companies involved.

The three cases considered as rapid-growing firms correspond to vineyards whose production is located in the valleys of Cachapoal (Cachapoal vineyard), another one is based in the Maipo Valley (Maipo vineyard A) and the last one is based on vineyards which are in the Cachapoal valley and Casablanca (Mixed vineyard A). In addition, companies whose annual growth was under 20% (Fischer & Reuber, 2003), are located in the Colchagua Valley (Colchagua vineyard) and Maipo (Maipo vineyard B), and a vineyard whose production is obtained from vineyards in Maipo and Maule (Mixed vineyard B), using these pseudonyms based on their geographic location as a way to protect the confidentiality of the data of the analyzed companies.

Following the recommendations for using case study methodology (Eisenhardt, 1989; Yin, 2013), the researchers of this study
believe that a sample of 6 companies has the strength and sufficient variability to generate viable conclusions regarding the analysis and discussion of the results, especially when the convention is that a case study on any item should present between 4 and 10 samples (Yin, 2013).

In summary, the methodology considered for the development of the research allows to effectively analyze data that substantiates the study and to corroborate from different sources, which reinforces the internal validity of the study and its results (Cancino & Coronado, 2014).

3.2. Data from the six companies under review

Below are details for each of the companies that are part of this study, starting with their origins and the characteristics of their productive tasks.

3.2.1. Cachapoal vineyard

Officially created in 2006 after a careful search of land in Chile and Argentina and investing nearly $28 million dollars to settle in the Cachapoal Valley, where the company has planted 388 acres (4325 acres of land in total) with varieties of Cabernet Sauvignon, Carmenère, Syrah, Cabernet Franc and Merlot. With a strong focus on science and technology in their processes, they are able to have a density of around 8000 plants per hectare, which sustains company growth with exports of 100% between its first and second year of sales, and about 37% between the second and the third, which is a trustworthy image of its rapid-growth, considering that most of their sales are to international markets, which include Brazil, Spain, South Korea, Uruguay and the United States.

3.2.2. Maipo vineyard A

Formed in 2004, its initial investment is estimated at about 7 million dollars. It has a planted area of 256 acres (4560 acres in total) in the Maipo Valley, with Cabernet Sauvignon, Merlot, Cot, Carmenère, Syrah and Petit Verdot, which enables them to date (December 2014), obtain annual returns from exports of about 3.5 million dollars. They define themselves as a family business focused mainly on sustainable red wine production and in close contact with the environment. In addition to certification of international norms of standardization, they also have environmental and Fair Trade certification. Exports account for 76.7% of sales, with Canada, Brazil, United Kingdom (UK), China and Sweden as their main markets and a growth of 394% from the first to second year and 172% from second to third, 188% in the third to fourth, and 126% from fourth to fifth year.

3.2.3. Mixed vineyard A

Unlike the previously described vineyards, this company, founded in 2000, is characterized by using fruits obtained in the Cachapoal, Leyda and Colchagua valleys with about 300 planted hectares for production, and is located in the first of these areas, from where it exports varieties and blends of Cabernet Sauvignon, Cabernet Franc, Merlot, Pinot Noir, Syrah, Viognier, Riesling, Chardonnay, Sauvignon Blanc and Carmenère. Export growth was of 688% from the first to second year and 154% from second to third, 157% from third to fourth and 171% from fourth to fifth year, which resulted in nearly 8 million dollars in 2010. The company currently exports to almost 50 countries, although 65% of its exports are concentrated in the US, Canada, Japan, China and the UK.

3.2.4. Maipo vineyard B

Founded in 2001, this company harvests in its 150 acres of vine varieties of Cabernet Sauvignon, Merlot, and Syrah Dyer, and marketed in the form of fine and bulk wine. The company operates as a family business whose value proposition lies in the production of organic wine, having both national and international certifications. The level of growth in both exports and general sales did not vary much during its first three years, reflecting a decrease of 20% in exports from the first to second year and an increase of 16% from the second to third year, and its major markets are overseas in Brazil, China and the United States.

3.2.5. Mixed vineyard B

Created in 1990, this winery focuses its operations in the Maule Valley, but also has vineyards in the Maipo Valley, totaling about 200 planted hectares. Its founder has vast international experience within the wine industry, which he has managed to pass on to his children, who are currently working in the company. Exports have not denoted growth in nearly 10 years (2000–2010), taking off only in 2010 (1 million dollars, versus $600,000 USD to $800,000 USD for the entire previous decade), and to currently reach, in 2014, $1.8 million USD, despite being strong in international markets, with exports to China, Japan, Brazil, the United States and Ecuador.

3.2.6. Colchagua vineyard

Created in 1997 with a capital of nearly $4 million dollars, the vineyard has about 140 acres planted in the Colchagua Valley, which include varieties as Cabernet Franc, Carmenère, Syrah, Petit Verdot and Cabernet Sauvignon, which gives the trademark identity to the company's production. Sustainability certified on the basis of their good energy practices, exports cover about 90% of sales, but in the early years did not reveal growth that could be classified as accelerated. Exports are concentrated in the United States as the largest market (30%), while the rest is shared among China, Canada, Brazil, England, and The Netherlands, and to a lesser degree, other countries.

4. Results

Once the beginnings and main characteristics of each company are known, we will explain how these companies behave in relation to the various parameters that describe rapid-growth firms, in accordance to the description available in the literature (Table 1).

In this regard, Table 2 shows an overview of export performance for each company under study, as well as other relevant aspects. According to these results, it is apparent that export performance which represents an equal or higher percentage than 75% of total sales for all studied companies, acts as an indicator for the growth rate of companies in the Chilean wine industry, where domestic demand is very low compared to production (Castaldi, Cholette, & Hussain, 2006).

As can be seen in Table 2, the three companies considered fast-growing (Cachapoal, Maipo A and Mixed A) have annual growth in exports over 20%, which according to the definition reported by Fischer and Reuber (2003) would qualify them as rapid-growth companies, while companies Maipo B, Colchagua and Mixed B show no significant variation in annual exports, which would classify them as moderate-growth companies according to the same definition. All cases studied reveal sales over $100,000 USD during the second year, which is considered the limit for qualifying SMEs in Chile (Cancino et al., 2015).

Moreover, the number of employees that is provided by each of the six studied businesses surpasses 20 hired employees during the period of the first 5 years, which Autio (2007) describes as a key factor to describe dynamic enterprises. Therefore, it becomes obvious that the number-of-employee criterion cannot be applied to companies in the wine industry, where the initial investment required for the implementation of operations and its extension, both in time and vineyard surface, are clear evidence of the need for more workers with regard to projects of other industries. According to our
observations, a limit to consider in this aspect would be the 100-worker barrier, which makes a difference in terms of the growth observed among the six analyzed cases. Aside from employees that are directly part of the companies, it is important to consider the relevance of each company in its economic sector, driving activities with vendors, outsourced services and temporary labor, which would not be considered as part of the sample.

When performing an analysis of the characteristics of the founder or founders of companies included in the research (Table 3), it is noteworthy to state that access to higher education is common-ground to all founders in the sample, so it is possible to thing that a higher education of founders does not exert influence on the growth rate of wine firms. Again, this parameter, which can be considered very important for other industries, has a peculiarity in the wine industry, since access to sources of funding (needed to start the business) is difficult to obtain by individuals without higher education, which in the Chilean social structure tend to cluster in the middle and lower classes.

It is worth stating that the vast majority (5 out of 6) of founders do not have prior experience in the same industry, which was expected beforehand as a key factor in the success of these ventures, based on publications on the topic. Furthermore, the only founder with prior experience in the wine industry is the one that founded Mixed Vineyard B, which experienced moderate growth, which contradicts previous reports. However, the remaining five cases showed previous experience in creating businesses, which is also an indicator of the necessary financial capacity to venture in the wine category. With regard to the size of these previous projects, it is interesting to note that the founders of the three vineyards described as rapid-growth, have led other businesses classified as large, a precedent that could mean an advantage when venturing in the wine category, due to their ability to lead large-scale projects. Hence, it is curious that the Colchagua vineyard shows moderate growth, although its founder has experience in leading large-scale enterprises, which could be caused by a lower level of dedication to the vineyard, compared to other projects in which the founder is engaged, a point that should be addressed in future research.

Another unexpected result is seen upon evaluating the pre-existence of social and professional networks in the industry by the founders. In our study, two of three rapid-growing firms (Cachapoal and Mixed A Vineyards) did not present access to networks by their founders prior to creating the vineyard, while all slow-growth firms did present networks, which contradicts previous reports in which access to networks is considered a cause that justifies the rapid growth of a business.

Finally, an expected result according to the literature was that team participation rather than a single-founder was positive for the company, since having a range of views would allow better decision making. According to our results, this aspect can be considered a key factor to differentiate both groups based on the characteristics of the founder, namely because two of the fast growing firms (Mixed A and Maipo A) are team-based, while two moderate growth vineyards (Mixed B and Colchagua) are not. Exceptions were observed in the Cachapoal and Maipo B vineyards, whose history reflects the presence of a single-founder for the rapid-growing company (Cachapoal) and a team for the moderate growth (Maipo B).

When analyzing the organizational characteristics of the studied cases (Table 4), we observe that all companies have quality certifications, are part of inter-organizational partnerships and fall into the category of family businesses. In this sense, the first two parameters can be considered as key within industry requirements. First, quality certifications are required to enter international markets more effectively. Second, participation in organizations that bring together the various wine producers in the country also plays a key role in the exportation process by organizing wine exhibitions, exploring new markets and networking, that otherwise, would be addressed by each particular company. Moreover, it is almost a tradition in the wine industry that different companies operate under the wing of family groups, which is endorsed again by the results of this research.

Contrary to what happens with private partnerships between vineyards, partnerships with public entities do not appear to be decisive in terms of the growth of these companies, since only the Maipo vineyard A showed accelerated growth together with this type of partnership. Moreover, both Maipo vineyard B as the Mixed vineyard B, both of moderate growth, reported partnership with public agencies, which did not influence an increase in sales during the first years.

Keeping in mind that the key point of this research is to identify the characteristics that determine the rapid-growth of a firm, it was expected that the existence of a strategic plan focused on growth, and commitment toward growth as part of the mission and vision of the company would become decisive factors in the analysis. Indeed, both organizational traits were different between groups. On the one hand, all rapid-growth companies declared strategic planning and commitment to grow as part of the company’s core, while on the other hand, two of the three companies with moderate growth did not consider them processes of their administration. Notably, Colchagua vineyard reported both planning and a commitment toward growth, which implies that other factors, such as poor planning and implementation, or internal communication problems regarding the commitment of the company, determine that the company is not able to sustain the growth it attempts to achieve.

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<th>Table 2</th>
<th>Characteristics and performance of companies under study.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rapid-growth companies</td>
</tr>
<tr>
<td></td>
<td>Cachapoal Vineyard A</td>
</tr>
<tr>
<td>Exports</td>
<td>82,656</td>
</tr>
<tr>
<td>1st year (USD)</td>
<td>43,120</td>
</tr>
<tr>
<td>Exports</td>
<td>160,152</td>
</tr>
<tr>
<td>2nd year (USD)</td>
<td>296,076</td>
</tr>
<tr>
<td>Exports</td>
<td>588,214</td>
</tr>
<tr>
<td>3rd year (USD)</td>
<td>456,556</td>
</tr>
<tr>
<td>Exports</td>
<td>210,930</td>
</tr>
<tr>
<td>4th year (USD)</td>
<td>718,489</td>
</tr>
<tr>
<td>Exports</td>
<td>No data</td>
</tr>
<tr>
<td>5th year (USD)</td>
<td>No data</td>
</tr>
<tr>
<td>Number of employees</td>
<td>388</td>
</tr>
<tr>
<td>Planted hectares</td>
<td>1,100</td>
</tr>
<tr>
<td>Initial investment (million USD)</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: own elaboration.
Finally, when analyzing the business practices (Table 5), we can observe that all vineyards have multiple distribution channels both domestic and international, which again is explained by the higher market openness to broaden their platforms. The rest of the investigated parameters meet expectations according to the literature. First, the average price per bottle is higher in the group of rapid-growing companies (15, 20 and 120 US dollars compared with 15, 15 and 38.3 US dollars), which may reflect a relation between higher quality products and accelerated growth.

Secondly, only Cachapoal and Mixed A vineyards, both of rapid-growth, declared the use of new technologies in their productive tasks, which may be connected with better performance in production and higher product quality.

When evaluating the use of innovation, an important parameter is the number of brands that have been created in the last two years; in this sense, two new brands have been developed among the three rapid-growth companies, while the three moderate-growth companies have only released one. Following the same idea, innovation investment of each company with regard to sales was higher in rapid-growing vineyards (two companies over 2.5% and one between 0.3 and 2.5%) compared with moderate-growth (one over 2.5% and two below 0.3%).

Regarding the number of international markets servicing these vineyards, again, greater market openness was observed within the rapid-growth companies (with 12, 21 and 40 destination countries per vineyard) compared with moderate-growth (6, 10 and 15 countries per vineyard).

The last parameter, the presence of offices in Santiago (Chile), reflects the ability to interact with distributors and suppliers where most of the economic operations in the country are concentrated, thus facilitating the arrival both to international markets and other places within the country. In this sense, again, two of the rapid-growing companies had active offices in the capital, compared with only one company of moderate growth (Colchagua).

Once again, the moderate-growth firm that is similar in behavior to rapid-growth is the Colchagua vineyard, with one brand released during the past two years, an investment in innovation over sales by about 2.5%, and offices in the capital; just as happened with regard to large-business experience by its founder (Table 3) and strategic planning focused on the growth (Table 4). The main difference of this vineyard with regard to companies with rapid-growth can be seen in Table 2, which present fewer planted hectares and workers, which could be parameters of greater importance when establishing an econometric model to separate rapid-growing companies of their counterparts, which should be addressed in future research.

5. Conclusions

Despite the positive outcomes seen following every entrepreneurship there are researchers who postulate that public and private sectors should not necessarily spend resources
to finance the development of any type of firms; especially those that generate low economic impact, but select and support those projects that appear as capable of growing in an accelerated manner (Shane, 2009). For this reason, it is necessary to analyze the behavioral patterns that distinguish a rapidly-growing firm from a universe of projects inserted in the wine sector in Chile. High-impact or dynamic entrepreneurialism in this sector, will positively impact the results of the Chilean economy.

Several authors have shown that dynamic entrepreneurialisms have particular characteristics at an organizational level, of their founder or management, or of the practices carried out by the company when operating (Barringer et al., 2005; Baun et al., 2001; Cancino, 2014; Doorley & Donovan, 1999). The analysis of a number of parameters allows selecting from a group of ventures, those with better growth prospects in the short term (Barringer et al., 2005). However, the true reality of a productive sector in each country does not always fit the general criteria established beforehand for other countries or sectors. Therefore, it is necessary to perform an analysis to determine which of these parameters are relevant to the reality of the country and sector under research, before assessing the parameters described in the literature.

In this paper, six family-owned wine companies were studied, three presenting rapid-growth and three presenting moderate-growth. With this group of analysis, we discovered that certain parameters previously stated in the literature have no relevance in the field of dynamic wine ventures. A company in this sector that shows sales of approximately $ 100,000 USD annually generates no distinguishing feature that help it to become a dynamic business. The same occurs with the fact of having a number of employees over 20 people, or that the founder has higher education or prior experience in the wine industry. All these features appear to reflect a peculiarity of the Chilean wine industry compared to other sectors; because the large amount of work and initial investment hinder the implementation of projects that do not meet these characteristics. Likewise, parameters regarding the possession of quality certification, use of multiple distribution channels, both domestic and international, the presence in inter-organizational partnerships, being family businesses and having previous business experience on the part of the founder(s), are common to all the companies studied and are connected with something particular of the Chilean wine industry whose history is deeply-rooted in family groups and have to concentrate their efforts in exports due to the small size of domestic demand.

Moreover, we found some parameters that were very useful to differentiate rapid-growth firms from their peers with gradual growth. These parameters include founding of the organization by a team of people and not by a single individual, prior experience of the founders in large-scale business, generating a growth-focused strategy and investment of resources in innovation. Most of these parameters can be associated with enhanced performance of the rapid-growth organization, which is shaped by the founders according to practices that they have internalized due to previously managing other businesses, these practices include strategic-planning focused on growth, company commitment toward growth (which is reflected through its mission and vision), a higher average price per bottle (indicator for customer loyalty with the product) and the use of new technologies in their processes (main feature in an innovative entrepreneurship).

The results of this exploratory work could support wine entrepreneurs who seek to enhance their growth based on greater differentiation and innovation and not only remaining competitive in product pricing. A further study on the characteristics of the wine sector will allow clarifying whether indeed these attributes are the best indicators regarding the success that a new venture in the Chilean wine industry will have in the short term. A remaining task is to unravel the role that family businesses play in this model, which was impossible in this first analysis due to that all researched companies showed that type of organizational structure.

Finally, from a public policy point of view, it is necessary to highlight at least two important elements about the winemaking companies studied. First, all show high sales volumes even since beginning operations; being at least a few years before companies begin to sell. Hence, promoting the creation of wine companies in Chile requires specific public programs, which would not only finance the first year of operations, but in fact the first 3 years of business, which is crucial because on average this is when the first sales start. A second point is related to the strong focus on exportation that Chilean wine companies have. In this sense, it would be ideal to develop programs that promote more integration between Chilean wine entrepreneurs and international distributors, focusing on optimization strategies for the premium segment of wines, instead of competition based-pricing. Public policy support to this sector cannot be the same as the one used for other economic sectors in the country.

Conflict of interest

The authors declare no conflict of interest.

References


