For wineries, competition boosts profits from sustainability

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An international study of small- to medium-sized wineries and vineyards finds that the more sustainability practices a winery has in place, the better its financial performance—and the effect is enhanced when a winery perceives significant pressure from competitors. The study also found wineries that did not feel as much competitive pressure were more likely to adopt new sustainability practices.

Sustainability measures assessed in the report range from using recycled materials to reducing fuel costs to engaging in environmental audits.

Wineries are a fragmented industry, meaning that the sector has many small- or medium-sized enterprises. And because there are so many players, there is often less pressure for any one company to adopt the practices of another. This differs from industries that have just a few large players, where there is often pressure for all companies to adopt the practices of their competitors.

"We wanted to focus on wineries to help us understand what drives investment in sustainability in a fragmented industry, and how that affects a business's bottom line," says Beverly Tyler, a professor of management, innovation and entrepreneurship at NC State who co-authored a paper on the work.

"We found that, consistent with previous studies, sustainability is positively associated with profitability," Tyler says. "What's new is that we found that perceived pressure from competitors drives up that effect. Specifically, we found that competitive pressure makes business managers focus on maximizing the value that they get from their existing sustainability measures.

"When there is less perceived pressure, wineries appear to feel less pressure to maximize the value of their sustainability practices; there's still a benefit, but it's less pronounced."

The researchers also found that companies perceiving less competitive pressure were more likely to adopt new sustainability practices.

"This is because wineries felt they had the financial wiggle room to take calculated risks, and perceived sustainability as an opportunity to set themselves apart from their competitors or reduce their long-term operating costs," Tyler says.

The work stems from an analysis of data collected from managers at 289 wineries and vineyards in France, Italy, the United States and Denmark. The researchers controlled for issues such as perceived pressure to adopt sustainability practices from consumers, suppliers or government policies.

"This work helps us better understand why some small- and medium-sized businesses in fragmented industries are not investing in sustainability, even though it contributes to profitability," Tyler says. "Basically, businesses in fragmented industries that feel threatened by competitors are scared to invest their limited resources in sustainability. However, the study also highlights the advantages associated with having sustainable practices in place when competition is fierce."

The study may also have additional applications in other industry sectors.

As part of the study, the researchers developed a survey tool to assess the sustainable activity of wineries and vineyards. And the tool may be relevant and useful for future efforts to assess sustainable practices in many other sectors.

"The language in the survey is general, making it broadly applicable, and we were able to capture nuance and detail that we found lacking in earlier assessment tools," Tyler says.

The paper, "SME Managers' Perceptions of Competitive Pressure and the Adoption of Environmental Practices in Fragmented Industries: A Multi-Country Study in the Wine Industry," is published in the journal

Organization & Environment.

More information: Beverly Tyler et al, SME Managers' Perceptions of Competitive Pressure and the Adoption of Environmental Practices in Fragmented Industries: A Multi-Country Study in the Wine Industry, *Organization & Environment* (2018). DOI: 10.1177/1086026618803720

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