Local Determinants of Entrepreneurship in Wine Ecosystems

NBER Entrepreneurship Small Grant Research Proposal

James Downing, Ph.D., California State University, Chico

Research Summary

The United States is the largest wine market in the world and California produces 65 percent of all wine consumed domestically. The wine business in the state of California employs 325,000 workers in a $57.6 billion industry in annual state level economic activity. The last California wine area to be developed is the 300-mile Sierra Foothill region. This established wine Appalachia has six sub-regions and microclimates requiring multi-level approaches to the development of tourism and other impacts on their respective areas. The results of this work will facilitate strategic growth amongst California's entrepreneurial wineries (especially in the ever-expanding Sierra Foothills region).

This research focuses on strategic group and organizational structure issues around entrepreneurship and its impact on craft-based industries. Specifically, the study examines the local determinants of entrepreneurship within the Sierra Foothill wine business. The examination of wineries will provide insight into the entrepreneurial process of creating authenticity (which is essential) in the craft industry. The study will also provide insight into the grouping of wineries for collective economic benefit.

The theoretical lens used to study entrepreneurial process will be entrepreneurial market-making[1]. The market-making process has been intended for information brokerage firms or professional service firms looking to gain a competitive advantage in industries with low-to-no barriers to entry, many industry players, and with public access to resources. The mature agricultural wine industry resembles little of these characteristics. However, the entrepreneurial behavior of wineries is similar to market-making behavior as the wineries create authenticity for a competitive advantage. The current approach to the craft markets of beer, wine, and distillates is to develop an authentic product for specific audiences. These efforts of authenticity are co-created as a geographic strategic group of wineries in a particular area, as well as individually created by the wineries within their group. For instance, the Willamette Valley in Oregon is known for a particular varietal (pinot noir) and for its authentic production, even then the wineries seek to differentiate by creating sub-regions within the Valley. Therefore, every winery in the Willamette Valley creates an authentic value which is consistent within the greater group and their sub-group while also differentiating within their groups. The winery groups are essentially industry structures to develop ecosystems of economic support.

One of the unique aspects of studying the mature wine agriculture industry is the numerous organizational structures. There are numerous economic incentives for wine businesses depending on if the winery is structed as a family business, a profit-oriented business, or as a hobbyist business. Interestingly, all three of these structures are competing in the same ecosystems but all have different industry support mechanisms. So, the four research questions are: 1) how do wineries create authentic value in the absence of consistent industry support mechanisms; 2) how do wineries create consistent rent producing authenticity differentiation with competing structures for economic value; 3) how do groups organize for structural support; and 4) what are the elements of the wine ecosystems providing regional growth? Furthermore, the entrepreneurial market-making process identifies four areas of engineering transaction

[1] Casson 2000, see chapter 5

costs for the customer: 1) reducing search costs via contact-making; 2) communicating how the specific need of the customer will be met; 3) presenting a non-negotiable offer to a small market; and 4) using reputation to assure quality. The emphasis is on information costs to refocus the theory of the firm from routine management and conventional assets or capabilities towards entrepreneurial market-making activities.[2] The entrepreneurial market-making process will allow for the four areas to be operationalized before data collection.

Data and Measures

The data will include primary and secondary data. Two forms of primary data will be collected: 1) semi-structured interviews of regional and sub-region wine marketing associations' executive directors and a sample of winemaker/owners in each sub region of for-profit, family business, and hobbyist wineries; and 2) surveys of regional wineries, restaurants, and hoteliers. The third data collection will be secondary data from regional economic data. The triangulation of data collection will provide validity and integrity to the study.

The variables will be operationalized two performance dependent variables: 1) self-reporting winery growth; and 2) secondary regional economic growth. The semi-structured interviews will provide the depth of understanding to authenticity creation and regional industry support mechanisms. The interviews will address the first research question and inform the regional survey. The explanatory variables of the study at the regional group level will include: regional group marketing activities, local group marketing activities, and regional/local public policy. The firm level explanatory variables will include: storytelling messaging types, marketing efforts, current strategy type, future strategy type, relative size of wine club membership, and winery events. The control variables will include: the presence of large for-profit, family, and hobbyist wineries in the six sub-regions of the Sierra Foothills.

Budget and Timeline

The budget for this study will require travel and lodging to the six regions of the Sierra Foothills for approximately $1,800. The study will use a student/contractual worker to gather secondary data for approximately $600 and $18,000 for the salary and benefits for the primary investigator. This research project will be outside the normal academic employment obligations and will take between twelve to eighteen months since there is only a four-month window for winery participation (January, June, July, August) in data collection process.

Deliverable

This research will contribute to theory and practice. The theoretical contribution will advance the strategic group literature of entrepreneurial activity of firms with limited structural support. In addition, the research will inform the emerging craft industries of how authentic creation develops consistent rents within and between strategic groups. The practical contribution of this research will inform economic development professionals of the regional and local mechanisms which can be successful tools in the development of craft-based industries. The final product will be a high-quality and peer-reviewed quality paper presented the NBER Productivity, Innovation, and Entrepreneurship (PIE) program, a quality peer-reviewed journal publication, a nice presentation at academic conferences and information to be used in the classroom.

[2] Casson 2000, p.45

JAMES A. DOWNING

California State University, Chico
College of Business, Department of Management

CURRENT ACADEMIC APPOINTMENT

Assistant Professor of Entrepreneurship 2013 – Present
Department of Management
California State University, Chico, CA.

EDUCATION

Ph.D., Business Administration 2013
University of Illinois, Chicago
Doctoral Dissertation: *Structure, Strategic Groups, and Market-Making: A Study of Employee Entrepreneurship in Professional Service Firms*

Master of Business Administration 1999
University of Illinois, Springfield

Bachelors of Arts, Political Science 1993
DePaul University, Chicago

RESEARCH

PUBLICATIONS

Peer-Reviewed Journals

Downing, J., Aiken, D., McCoy, D., Matthews, M., and DeAtly, K. 2018. Collaborative Course Development: A Comparison of Business and Non-Business Students' Perceptions of Class Experience. *The International Journal of Management Education*, Vol. 16, No. 2, pp. 256-265. DOI: 10.1016/j.ijme.2018.04.002

Downing, J.A. and Shanley, M. 2017. Entrepreneurial Collaboration for Performance in the Labor Brokerage Industry, *International Journal of Strategic Business Alliances*, Vol. 6, No. 1/2, pp. 18-39. DOI: 10.1504/IJSBA.2017.10010807

Downing, J.A. and Ma, Q. 2017. Structure in Chaos: Entrepreneurial Reputation Effects on Performance During Volatility. *Journal of Small Business and Entrepreneurship*, Vol. 29. No. 6, pp. 461-476. DOI: 10.1080/08276331.2017.1371390

Aiken, D., Sukhdial, A., Kahle, L., and Downing, J.A. 2015. Linking Fan Values and Sponsorship Effectiveness: The Case of Old School Values. *Sport Marketing Quarterly*, Vol. 24, No. 1, pp. 56-66.

Book Chapter

Downing, J.A. and Parrish, D. "Welcome to ***My*** House, Do you Like the Neighborhood? Authenticity Diversification within Strategic Groups of Wineries." In, *Managing and Marketing Wine Tourism and Destinations: Theory and Cases,* edited by M. Sigala and R. Robinson. Palgrave. (*In Press,* 2018 publication)

Case Study

Downing, J.A. and Parrish, D. "New Clairvaux Vineyards: Monastic Differentiation and the California Wine Market." In, *Managing and Marketing Wine Tourism and Destinations: Theory and Cases,* edited by M. Sigala and R. Robinson. Palgrave. (*In Press,* 2018 publication)

Conference Proceedings

Downing, J. (2017). Niche Construction and Entrepreneurship in the Wine Business. Paper presented at the 10th International Conference of the Academy of Wine Business Research, Sonoma. http://web.sonoma.edu/sbe/proceedings_awbr.pdf

Gilinsky, A., Eyler, R., Newton, S., and Downing, J. (2017). Environment Effects on Entrepreneurial Thinking in the Northern California Wine Industry. Paper presented at the 10th International Conference of the Academy of Wine Business Research, Sonoma. http://web.sonoma.edu/sbe/proceedings_awbr.pdf

MANUSCRIPTS UNDER REVIEW

With Revisions

Gilinsky, A., Eyler, R., Newton, S., and Downing, J. Environmental Effects on Entrepreneurial Thinking in the Northern California Wine Industry. Under second revisions review at *Small Enterprise Research*, Submit by May 7, 2018.

Under Initial Review

Downing, J. Knowledge Governance Mechanisms for Entrepreneurial Market-Making. Under Initial Review at *Journal of Small Business and Entrepreneurship,* Submitted February 14, 2018.

WORKING PAPERS

Writing Stage

Downing, J. Parrish D., and Shanley, M. Monastic Entrepreneurship: Sustainable Habits in Fragmented Commodity Markets. (Target Journal: *Strategic Entrepreneurship Journal*)

Parrish D. and Downing, J. Sensegiving Antecedents of Moral Authenticity. (Target Journal: *Academy of Management Journal*)

Analysis Stage

Downing, J., Shanley, M., Ponarul, R., and Chen, Y. Structure in Chaos: Entrepreneurial Reputation Stability During Periods of Volatility. (Status: Dissertation Data Collected; Target Journal: *Strategic Entrepreneurship Journal*)

Remaud, H. and Downing, J. Growth Effects of Entrepreneurial Collaboration in French Wineries. (Status: Dissertation Data Collected; Target Journal: *Strategic Entrepreneurship Journal*)

Downing, J. Wine Family Business Strategies in Response to the Perceived Business Environment. (Status: Spring 2018 Classroom Data Collected; Target Journal: *Entrepreneurship Theory & Practice*)

Data Collection for Co-Author Research

Ouvrard, S., Spiga, A., Canavati, S., and Downing, J. Relational and Contextual Factors between Business Model and Strategy for wineries in California, Italy and France. (*Status*: Qualitative Data Collection; *Target Journal*: Lead Author's Choice)

Jones, C., Sehrawat, S., Potter, A., Brown, F., Giovanni, M., and Downing, J. Millennial Student Learning Outcomes on the Topic of Aging. (Status: Collected Classroom Data Spring 2018; Target Journal: Lead Author's Choice)

NEWSPAPER/TRADE JOURNAL CITATIONS

Downing, J. and the students of MGMT 454: Family Business. "Napa Storytelling: Why So Serious? A Research Study", *Wine Industry Advisor*, Expert Editorial May 24, 2018. https://www.wineindustryadvisor.com/2018/05/24/napa-storytelling-why-so-serious-study

Corsi, A. "The 10th International Conference of the Academy of Wine Business Research: It was a tough job but somebody had to do it." *Wine & Viticulture Journal*, September/October 2017. "Among the business management papers, the most interesting was presented by Downing (2017)".

PEER-REVIEWED CONFERENCE PAPER PRESENTATIONS

Downing, J. and Parrish, D. (March, 2018) *Monastic Entrepreneurship: An Authentic Approach to the Wine Industry.* Western Academy of Management, Salt Lake City, UT.

Downing, J. and Parrish, D. (2017) *Welcome to **My** House, Do you Like the Neighborhood? Authenticity Diversification within Strategic Groups of Wineries.* Wine and Culinary Tourism Futures Conference, Kelowna, BC, Canada.

Gilinsky, A., Eyler, R., Newton, S., and Downing, J (2017) *Environmental Effects on Entrepreneurial Thinking in the Northern California Wine Industry*. Academy of Wine Business Research, Sonoma, CA.

Downing, J. (2017) *Niche Construction and Entrepreneurship in the Wine Business*. Academy of Wine Business Research, Sonoma, CA.

Downing, J. (2017) *Macro-Environmental Factors Effects on Entrepreneurial Activity: A Northern California Regional Study*. Western Academy of Management, Palm Springs, CA.

Downing, J. and Ma, Q. (2017) *Entrepreneurial Reputation Stability During Environmental Volatility*. Western Academy of Management, Palm Springs, CA.

Downing, J. (2017) *Monk Entrepreneurship: Trappist Niche Construction in the Wine* Industry. Western Case Writers Conference, Palm Springs, CA.

Downing, J. (2016) *Structure in Chaos: An Examination of Cooperation in a Fragmented Industry*. Industry Studies Association, Minneapolis, MN.

Downing, J. (2016) *The Economic Foundations of Entrepreneurial Collaborations*. Western Academy of Management, Portland, OR.

Downing, J. (2015) *Entrepreneurial Strategies in Fragmented Markets: A Multi-Level Study in Collaboration and Performance.* Western Academy of Management. Koloa, HI.

Downing, M. and Downing, J. (2015) *Improving your Voice and Presence Skills in the Classroom*. Western Academy of Management. Koloa, HI.

Downing, J. (2014). *Competitive Advantage in Professional Services: An Entrepreneurial Market-Making Perspective.* Western Academy of Management, Napa, CA.

Downing, J. (2011). *The Dynamic Fit of Strategic Human Capital*. Strategic Management Society, Miami, FL.

Downing, J. (2011). *The Craftsmanship of Dynamic Fit*. Research Development Workshop at the Atlantic Competitive Advantage Conference, Atlanta, GA.

Downing, J. (2011). *The Temporal Process of Dynamic Fit*. Strategic Management Society mini-conference, The Value Proposition of Human Capital Conference, Columbus, OH.

Downing, J. (2008). *The Firm's Sensemaking Capability Effect on Real Options Decisions*. Cognition in the Rough Professional Development Workshop at the Academy of Management Annual Meeting, Anaheim, CA.

Downing, J. (2008). *Making Sense of Technology Commercialization: A Real Options Approach*. Technology Transfer Society, Albany, NY.

CONFERENCE PARTICIPATION

- Doctoral Student Consortium Panel at the 2018 Western Academy of Management, Salt Lake City, UT
- Sensegiving and Boundaries. Session Chair at the 2018 Western Academy of Management, Salt Lake City, UT
- Wine Industry Development and Growth. Session Chair at the 2017 Academy of Wine Business Research, Sonoma, CA.
- Strategic Human Capital: Origins of and Prospects for a New Construct. Panel discussant at 2011 Academy of Management Annual Meeting, Chicago, IL.
- SME Strategies and Performance. Session Chair at the 2011 Academy of Management Annual Meeting, San Antonio, TX.
- Managing Human Capital. Session Chair at the 2011 Strategic Management Society Annual Meeting, Miami, FL.
- Investigating Nascent Entrepreneurs. Session Chair at the 2009 United States Association for Small Business and Entrepreneurship Annual Conference, Anaheim, CA.
- Strategic Entrepreneurship. Session Chair at the 2009 American Marketing Association mini-conference: Entrepreneurship and the Marketing Interface Conference, Chicago, IL.

- Emotions in Organizational Decision Making. Session Chair at the 2009 Academy of Management Annual Meeting, Chicago, IL.
- Extracurricular Entrepreneurship Education: A Discussion of Best Practices. Panel discussant at the 2009 Academy of Management Annual Meeting, San Antonio, TX.
- Extracurricular Entrepreneurship Education & Clubs: A Panel Discussion of Best Practices. Panel discussant at the 2009 United States Association for Small Business and Entrepreneurship Annual Conference, Anaheim, CA.
- New Product Development: Strategic Management of the New Product Development Process. Panel discussant at the 2008 Academy of Management Annual Meeting, Anaheim, CA.

ADDITIONAL RESEARCH ACTIVITIES

Invited Research Presentations

- The Abby of New Clairvaux & New Clairvaux Winery, Vina, CA. January 2018. Sensegiving Antecedents of Moral Authenticity & Monastic Entrepreneurship
- Naval Postgraduate Institute, Monterey, CA. June 2018. Monastic Entrepreneurship: Sustainable Habits in Fragmented Commodity Markets.

Database Development

- Dissertation Database. *Status*: Currently developing volatility measures for ninety-four (94) client industries of the search consulting industry.
- Wine Industry Database. I have started with a list of over two-thousand (2,000) California wineries from Dun & Bradstreet, which includes 2016 revenues, 2011-2013 revenues, address, city, zip code, county, state, latitude and longitude, public/private, rent/own, year founded, employees, and executives. Within this database, I am also creating a Sierra Foothills AVA Database with detailed variables of 275 wineries in the Chico State service area starting from Shasta in the Sierra Nevada foothill region.

Center for Excellence in Learning and Teaching (CELT) Annual Conference Presentations, CSU Chico

- "Collaborative Course Development: A New Model for Improved Student Outcomes" Jim Downing, Damon Aiken, David McCoy, M.E. Matthews, and Katy DeAtly. Research Poster Session, 2015.
- "Interdisciplinary Gerontology Faculty Learning Community Assignment and Research" Celeste Jones, Seema Sehrawat, Jim Downing, Andy Potter, Maria Giovanni, Fay Mitchell-Brown, Richard Gitelson. Session Presentation, 2017.

Developmental Brown Bag Presentations, Department of Management, CSU Chico

- Monastic Entrepreneurship: Sustainable Habits in Fragmented Commodity Markets. (April, 2018)
- Macro-Economic Factors Effect on Entrepreneurial Activity. (October 2016)
- Entrepreneurial Strategies in Fragmented Markets: A Multi-level Study of Strategic Groups (December, 2015)
- Collaborative Effects on Rural Entrepreneurship (September 2015)

TEACHING

Undergraduate Teaching

California State University - Chico, College of Business
Student Evaluations: 4.0/5.0, Number of Students: 810 (thru winter 2018)
MGMT 450: Introduction to Entrepreneurship
MGMT 451: Business Plan and Finance
MGMT 452: Launching New Ventures
MGMT 454: Family Business Ventures
MGMT 495: Strategic Decision Making (capstone)

University of Illinois at Chicago, College of Business
Student Evaluations: 4.1/5.0
ENTR 300: Survey of Entrepreneurship
MRKT 360: Principles of Marketing
ENTR 454: New Venture Formation
ENTR 430: Family Business Management
MGMT 495: Competitive Strategy (capstone)

Illinois Institute of Technology, The Stuart School of Business
Student Evaluations: 4.2/5.0
BUS 475: Sales Management
BUS 462: New Product Development

Graduate Teaching (MBA)

University of Illinois at Chicago, College of Business
MBA 500: Corporate Strategy (Teaching Assistant)
MGMT 590: Strategic Management (capstone) (Teaching Assistant)

Loyola University Chicago, Quinlan School of Business
MGMT 482: Entrepreneurial Marketing
MGMT 430: Strategy and Leadership in Organizations (capstone)

ACADEMIC SERVICE AND AFFILIATIONS

Service to the Profession

- Executive Committee (elected Communications Officer for a three-year term), Western Academy of Management — 2016-2019
- Member, Committee for Management Services, Western Academy of Management — 2017-Present
- Reviewer, *International Journal of Entrepreneurial Behavior & Research* — 2017-Present
- Ad Hoc Entrepreneurship Pedagogy Reviewer, *Education + Training* — 2017

- Co-Editor, Strategic Management Society, *Strategic Human Capital Newsletter* (with Mark Shanley) 2010–2013
- Co-Editor, American Marketing Association, *Research at the Marketing and the Entrepreneurship Interface,* Conference Proceedings (with Gerald Hills) 2008
- Journal Reviewer, *Journal of Strategic Management Education* 2012
- Book Reviewer: Wresch, W., *Starting a Business in Oman* (2016), Sulanate of Oman 2016
- Textbook Reviewer: Grewal and Levy, *Marketing*, (2008), McGraw-Hill Irwin 2008
- Conference Reviewing: Academy of Wine Business Research 2017
- Conference Reviewing: Western Case Writers Association 2017
- Conference Reviewing: Western Academy of Management 2014-2017
- Conference Reviewing: United States Association of Small Business and Entrepreneurship 2009-2011, 2014
- Conference Reviewing: Academy of Management 2008 – 2011, 2016

Service to the University

- Chair, National Endowment for the Humanities Review Sub-Committee, University Faculty Recognition and Support Committee 2016 – present
- Elected Vice-Chair, University Faculty Recognition and Support Committee 2017 – present
- Member, Subcommittee on Nomination Process of the University Faculty Recognition and Support Committee 2017 – present
- Member, University Faculty Recognition and Support Committee 2016 – present
- Member, Subcommittee on Research & Sponsored Programs Proposal Review, University Faculty Recognition and Support Committee 2017 – present
- Member, CSU Chico Wang Family Excellence Award Committee to nominate five faculty members for the CSU System-wide Awards 2017 – present
- Safe Zone Office, Office of Diversity 2017 – present
- Graduate Student Council Member, University of Illinois at Chicago 2007 – 2011

Service to the College

- Chair, College of Business Honors & Awards Committee 2015 – 2017
- Member, College of Business Honors & Awards Committee 2013 – 2017
- Selected Outside Member, Search Committee for the Department of Finance and Marketing Tenure Track positions 2015, 2016, 2017, 2018
- Judge, Concept2Venture Business Plan Competition, University of Illinois at Chicago 2007 – 2012
- Advisor to Student Team, Illinois Institute of Technology Innovation Quest 2008 – 2010

Service to the Department

- Search Committee for Business Law Tenure-Track position 2014
- Search Committee for Entrepreneurship Tenure-Track position 2013, 2014

Service to the Community

- Business consulting services to the Abby of New Clairvaux and the New Clairvaux Vineyard — 2017 – present
- Provided research design assistance in the survey development for the Northeast California Small Business Development Center's five-year needs assessment survey — 2015
- Mentored, coached and developed many student and community business ideas — 2014 – present
- Community engagement in the classroom with invited guest speakers — 2014 – present

Professional Development

- Recipient, Diversity Certificate Program by the CSU, Chico University Diversity Programs & Inclusion — 2017
- Chair, Interdisciplinary Improvisation with Theater, Entrepreneurship and Sales Learning Community — 2017 – present
- Member, Interdisciplinary Gerontology Faculty Learning Community — 2016 – present
- Member, Faculty Independent Pedagogy Reading Group — 2015-2016
- Entrepreneurship Intensive Seminar with Scott Shane, Case Western University — 2008

Affiliations

- Western Academy of Management — 2013 – Current
- Academy of Management — 2008 – Current
- Academy of Wine Business Research — 2017 – Current
- Strategic Management Society — 2008 – 2013, 2016
- United States Association of Small Business and Entrepreneurship (USASBE) — 2008 – 2016

AWARDS & RECOGNITION

Reviewer Awards

- Outstanding Reviewer Award, Managerial and Organizational Cognition Division, Academy of Management Annual Meeting — 2010
- John Wiley & Sons Outstanding Student Reviewer Award, Managerial and Organizational Cognition Division, Academy of Management Annual Meeting — 2009
- Outstanding Reviewer, Corporate Entrepreneurship and Innovation Division, United States Association for Small Business and Entrepreneurship Annual Conference — 2009

Scholarships

- Traveling Scholar, Big Ten Committee on Institutional Cooperation — 2009
- Ewing Marion Kauffman Foundation Fellowship, Entrepreneurship Intensive Seminar (Faculty: Scott Shane, Case Western University) — 2008

Leadership Recognitions

- Leadership Roundtable of Distinguished Alumni, University of Illinois at Springfield — 2008, 2006, 2002

- Letter of Recommendation, Barack Obama, United States Senator 2007
- Plaque of Appreciation, Illinois Venture Capital Association 2006
- Recognition for Outstanding Leadership, Illinois Venture Capital Association 2000
- Resolution of Commendation, Illinois State Senate 2000

PRIOR EXPERIENCE

Village Manager of a Chicago south suburb 2005–2007
Managed operations, economic development and multi-million annual budgets with over 80 employees for a southern suburb of Chicago. My operational efforts resulted in grants exceeding $1 million and annual operations ending 25% under budget.

Managing Director, Venture Maxims Consulting 2000–2005
Produced strategic plans for a large investment bank and research institutions, developed marketing plans for trade associations, and provided start-up business consulting and business plans for entrepreneurial ventures.

Founding Executive Director, Illinois Venture Capital Association (IVCA) 2000–2003
Created and managed the premier regional private equity trade association from inception to sustainability. Developed and organized annual industry awards galas, monthly industry education seminars, and ongoing governmental lobbying efforts. Built the IVCA membership to almost 500 private equity professionals representing over $77 billion in assets under management.

Illinois State Senate and Venture Capital Administrator, State of Illinois 1995–2000
Managed and drafted business legislation for the Illinois Senate President and staffed committees on Commerce and Industry, Insurance and Pensions, Joint Committee on Administrative Rules and the High Technology Task Force. Administrator of the Illinois Development Finance Authority's $15 million Illinois Venture Investment Fund. Led the due diligence, forecasting and syndication structures with area venture capital/private equity firms for seed/early-stage investments of $300,000. The investment focus of the Fund was towards emerging early stage technologies with an economic development purpose to encourage firms to remain located in Illinois.