SUMMARY

AN EMPIRICAL INVESTIGATION INTO COOPERATION AMONGST FAMILY BUSINESSES IN NEW ZEALAND

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Principal Topic

Family business is a fast growing area of research in western countries and is also gaining recognition towards being a distinct discipline. In Germany it was noted that the discipline is gaining ground fast because of the proportion of family owned businesses. It is also common knowledge that issues surrounding the behaviour of such a business and the succession planning required to maintain the family ownership, has much relevance within the business world. It is recognised that 80% of German businesses are indeed family businesses (ebs, 2005).

Studies in the United States suggest that 40-60% of their gross national product is from family businesses. Greater recognition is now being given to family businesses as major contributors to job generation and wealth creation and as such they are spawning greater interest about their existence. Klein (2000) states that the percentage of family businesses in the UK ranged from 15% to 78.5% in the year 2000. This depended on the criteria being used for a family business.

The Ministry of Economic development in New Zealand does not clearly show what proportions of New Zealand businesses are family-owned, but empirical evidence suggests that a large number of small businesses are centred around the family. New Zealand is however not dissimilar regarding its family business statistics to many other countries in the world. It is also recognised that there is a lack of research in particular industries with regard to family business, notably the wine industry in New Zealand.

According to Kets de Vries (1993), about 3 out of 10 family businesses survive past the first generation and only 1 in 10 make it through the third generation. These issues become important when considering recent developments in the New Zealand wine industry. Getz et al. (2004) argue that the only way for family businesses to overcome limitations in size and resource is to engage in cooperative activity of some description, such as "product clubs" or marketing consortia. Some of the advantages of cooperative marketing include networking; achieving greater economies of scale; obtaining professional advice; access to better technology; support for training and education; and pooling of resources.

The research reported in this paper focuses on family businesses in New Zealand in order to determine what problems exist in co-operation between different families and suggestions are then made for solutions via entrepreneurial initiatives.

Methodology/Key Propositions

From an entrepreneurial perspective, interest in the family owned business has identified an unexplored gap in entrepreneurial research and subsequent business implications (Chaston, 2000; Chua, Chrisman, and Steier, 2002; Dyer, 2003; Litz, 1997; Stewart, 2003; Westhead and Cowling, 1998). This research paper focuses on the wine industry as a significantly growing industry, which represents a higher than average proportion of family businesses in terms of the agricultural based industries in New Zealand (Westhead and Cowling, 1998).

The quantitative element of the research was carried out with an online survey, which was received back anonymously for analysis. The survey contained questions relating to winery ownership; customer focus; marketing; cooperation; and specific information about the history and function of the winery.

The main survey questionnaire utilised a six point Likert type scale (1 = Never, 6 = Always) followed by short open-ended questions. Other questions required answers pertaining to winery size, age, price range of product and family involvement.

The quantitative methodology is based on a desire to compare responses sought from a universe comprising Category One and Two wineries according to New Zealand Winegrowers. Category Two wineries produce more than 200,000 litres of which there are 30. There are 421 Category One wineries in New Zealand producing less than 200,000 litres, of which every 5th winery was selected to complete a random sample of 84 wineries. The survey was conducted in late 2004.

Results and Implications

Family wineries appear to comprise a majority in the wine industry with majority of Category Two wineries being either family owned or partially family owned with a single member having a controlling interest. One issue that has been identified is that family wineries hold a sense of pride and aim to provide a legacy, so forming alliances may appear to pose a threat of giving away a part of who they are.

The potential for cooperation between wineries was shown through themes presented by survey respondents, when asked for the reasons they would engage, or are engaging, in cooperative marketing with other wineries. The strongest themes, representing over two thirds of all respondents, were identified to be:

- Enhance each wine regions image
- Marketing and promotional cooperation
- Become more cost effective

It is concluded that the marketing function is by definition very close to the customer, and this can make supplier cooperation difficult, especially within family businesses that do not want to compromise their brand. However, there are different ways to cooperate in the marketing of wine, and it is evident that an enhanced regional image and cooperative marketing are of great importance to New Zealand winemakers.

The following recommendations were made:

- There should be more cooperation between wineries with similar wine varieties, from Categories 1 and 2
- There should be more regional cooperation between wineries from Categories 1 and 2
- Cooperation between family wineries from Categories 1 and 2 should be encouraged
- Cooperation between similar sized wineries should be encouraged

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