

Working papers

New trends in accounting and management



Universitat de Lleida
Department of Business
Administration

Exploring the Determinant Factors of Dynamic Entrepreneurship in the Wine Industry in Chile

Jorge J. Román
University of Lleida

Christian A. Cancino
University of Chile

José L. Gallizo
University of Lleida

February, 2016

ISSN 2013-4916
11/2016

Editorial Committee

José Luis Gallizo Larraz (Editor)
Department of Business Administration
University of Lleida

Oriol Amat i Salas
Department of Economic and Business
University of Pompeu Fabra

Leonor Fernandes Ferreira
Nova School of Business and Economics
Universidade Nova de Lisboa

Stuart McLeay
Management School
Lancaster University

Ricard Monclús Guitart
Department of Business Management
University of Rovira i Virgili

Joaquim Rabaseda Tarres
Departament of Business
University of Girona

Ramon Saladrigues Solé
Department of Business Administration
University of Lleida

Ana M. Vendrell Vilanova (Coordinator)
Department of Business Administration
University of Lleida

Working papers

**New trends in accounting
and management**

Exploring the Determinant Factors of Dynamic Entrepreneurship in the Wine Industry in Chile

Jorge J. Román

Doctor (C) in Business Management
University of Lleida
jromang@fen.uchile.cl

Christian A. Cancino

Department of Management Control
and Information Systems
University of Chile
cancino@fen.uchile.cl

José L. Gallizo

Professor of Accounting and Finance
University of Lleida
gallizo@aegern.udl.es

ISSN 2013-4916

Number 11/2016

ISSN: 2013-4916

Cover design: cat & cas

Layout: Edicions i Publicacions de la UdL

© Edicions de la Universitat de Lleida, 2016

© AEGERN (UdL)

c/ Jaume II, 73 (25001 Lleida)

Tf. 973 70 32 06 / Fax: 973 70 33 43

e-mail: secretaria@aegern.udl.cat

EXPLORING THE DETERMINANT FACTORS OF DYNAMIC ENTREPRENEURSHIP IN THE WINE INDUSTRY IN CHILE

Abstract

While much has been studied regarding the wine industry in countries such as Spain, France and Italy, less has been studied in developing countries. Few studies in Chile observe that companies are primarily of family background, internationally-oriented, characterized by competing with low-prices. Given the increased global demand for wine products, questions are being raised in Chile on how to adapt the current development model, with wine companies that participate heavily in international trade, showing dynamic-growth, positioning Chile as the leading producer of sustainable and *premium* category wines in the new world countries. This paper reports six cases of family-owned wine companies, three of which are characterized by dynamic-growth versus three other companies presenting more gradual growth. A number of variables are analyzed to understand the distinctive features of dynamic entrepreneurships in the wine industry in Chile. These variables include prior experience and knowledge of its founders regarding leading large companies, the use of strategic-planning systems and the use of new technology in most of production. The results of this investigation could prove insightful for those wine entrepreneurs looking to enhance their growth based on greater differentiation and innovation, and not only remaining competitive in product pricing.

Keywords

Wine industry, Dynamic entrepreneurship, High growth, Chile.

1. INTRODUCTION

The behavior of the international wine industry has been widely studied in countries such as Spain, Italy and France (Bardají, 2004, Flint et al, 2011, Loubère, 2014). However, after 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 of 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 being one that presents the fastest growth (Berrios and Saens, 2012; De La Hamaide, 2014).

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 as *gazelle* companies, and three companies showing a 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 a family-owned administration.

Among the main results of this paper, we can point out that the typical characteristics presented in the literature of dynamic firms (Barringer et al. 2005), are not always present in the wine industry in Chile. For example, it is impossible to differentiate dynamic entrepreneurship versus gradual growth companies by passing annual sales of \$ 100,000 USD during the first years of their foundation. There are also no differences by having a number of workers over 20 people, or by having a founder with higher education, or having 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 entrepreneurship 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 experience of founders in large business; the formal establishment of a growth-based strategy and investment in the innovation of processes.

Most of these parameters can be associated with prior experience of founders in businesses that are different to that of 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, the main feature of dynamic entrepreneurships.

The results of this work could prove interesting to 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 mentions the conclusions of the study and possible future research.

2. LITERATURE REVIEW

The concern in Chile and in other developing countries strengthen their economies requires to investigate which are the factors that 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 (Storey and Morgan 1996, Davidsson and Delmar 2006, Bonilla and Cancino 2011).

Birch (1981) analyzed in detail the question of what type of companies are the ones that 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 entrepreneurships, dynamic enterprises, particularly high-impact type or *gazelles*, are which generate true momentum in the economy (Autio 2007).

Fischer and Reuber (2003) consider *gazelles*, as companies that present a growth rate in annual sales of 20% during 5 consecutive years, while for Barringer et al. (2005) *gazelles* are those which have a compound annual growth rate equal or over 80% during a period of 3 years. Moreover, Autio (2007) defines them as companies with around 20 employees during its first five years, while Kantis and Diaz (2011) consider that *gazelles* are born as small businesses, but quickly transformed into SMEs. According to Cunneen and Meredith (2007), a fast-growing company should be managed independently, with a turnover of more than \$ 100,000 the first year and reach growth rates of 40%. Finally, Leiva and Alegre (2012), regard *gazelle* companies as those that stand out for 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, if necessary.

Beyond definitions, *gazelles* appear to be an isolated phenomenon; 1 out of 7 companies as 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 and 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 and Murtinu, 2011), construction (Autio et al., 2000), manufacturing (Allen, 1999; Case 2001) or services (Delmar et al., 2003).

In 2012, a report was drawn up by the agency Ibisworld —www.ibisworld.com, 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 as global demand growth, this is given essentially by the consumption boom in the US (Berrios and Saens, 2012; De La Hamaide, 2014). And yet, even given the importance of the previous statement, it is not easy to currently find, studies that attempt to determine the characteristics of the rapid-growing companies in the wine industry.

Chilean wine industry is raising questions on how to adapt the current model to transform itself from a sector that reacts to global market conditions towards a more proactive attitude, striving to develop growth in order to position themselves as the leading producer of Premium category sustainable wines in the “new world” countries (Berrios and Saens, 2012, Felzensztein, 2014).

The behavior, strategies and specific decisions made by wine-company management, within other attributes, will then be key factors in the development of dynamic entrepreneurship. A summary of these characteristics can be seen in Table 1, adapted from Barringer et al. (2005) and Cancino et al. (2012). In the table, parameters addressing characteristics of the founders, of the organization of the company and its business practices are described.

With regard to the characteristics of the founder, 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, which is the reason why private investors consider important to know who the entrepreneur is to then 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 better coped with a strong network of personal contacts. According Donckels and Lambrecht (1995), entrepreneur networks have a great impact on the growth of new and small businesses, especially through the resources they can be channeled by third-parties and that supplement the meager assets at the beginning of operations.

TABLE 1. FEATURES OF DYNAMIC COMPANIES

Founder Information	
Relevant industry experience	MacMillan y Day (1988)
Previous experience in business creation	Singer (1995)
Size of previous business	Baum et al. (2001)
Social and professional networks in the industry	Donckels y Lambrecht (1995)
Education level	Sapienza y Grimm (1997)
Formed by a team or partners	Baum et al. (2001); Doorley y Donovan (1999)
Company Information and Networks	
Commitment towards growth	Kolvereid (1992)
Participation in public-private partnerships	Barringer y Harrison (2000)
Planning (strategy and growth management)	Kolvereid (1992)
Family participation	
Business Practices	
Unique-value product	Kim y Mauborgne (1997)
Use of new production technologies	Harrison y Taylor (1997)
Investment in innovation	Cohen y Levinthal (1990); Delmar et al. (2003)
International markets it serves	Cancino et al. (2012)
Offices in the capital along with the vineyard	Cancino (2014)

Source: Based on Barringer *et al.* (2005)

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 in their vision and mission the desire to grow rapidly are more likely to succeed in doing so. On the other hand Kolvereid (1992) states that rapid-growth occurs when there is a consistent commitment and alignment of both owners and managers towards 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. Particularly important in the wine industry is the role family businesses play, which in Chile comprises 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 in issues of growth, investment and development 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 business rapid-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. Also, if these products have higher quality compared with the competition, it will be easier not only to access the market, but also to be established in the market (Harrison and Taylor, 1997). Another business practice that becomes important is the ability and 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 the 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 set out in Table 1 are a range of attributes that would serve as a basis for identifying patterns 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

One of the most common approaches when testing a theory or to develop a new hypothesis regarding a specific question is called case study or analysis. Case studies, originated from medicine (Chave 1958), have been widely used in many areas of knowledge (Chetty 1996, Barringer and Greening 1998, Maxwell 2008, Yin 2011, Yin 2013), and according to some authors, general conclusions can be extrapolated to other cases of similar features to those observed in the study (Rialp, Rialp et al. 2005, Maxwell 2008). 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), goes hand in hand with the development of new industry players, and consequently becomes important to know what 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 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. In accordance to Avila (2006), 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 or above 20% per year. It is important to emphasize that in our study object, the start of the sales did not occur until 3-5 years after the beginning of the operations, due to of the varied processes and stages involved the wine industry.

As a first data source, records were used from the databases of www.mercantil.com, www.amarillas.com y www.guoteca.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, while users have 24-hour online accessible information of participating companies, and also through telephone contact with representatives. Within these business portals, [mercantil.com](http://www.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, trade-

marks, 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 9 were discarded for not focusing on wine production, but 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 business in the industry, of which no information regarding their sales during early years of operation are available, or of their branches. 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 the investigation. 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 based in the Maipo Valley (Maipo vineyard A) and the last based on vineyards both the valley Cachapoal and Casablanca (Mixed vineyard A). In addition, companies whose annual growth was under 20% (Fischer and 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 the use of 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 investigation 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 and La Paz 2010).

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.

Cachapoal vineyard

Officially created in 2006 after a careful search of land in Chile and Argentina and investing nearly \$ 28 million to settle in the Cachapoal Valley, where the company has planted 388 hectares (4325 hectares of land in total) with varieties of Cabernet Sauvignon, Carménère, 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 8,000 plants per hectare, which sustains company growth with exports of 100% between its first and second year of sales, and about a 370% 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.

Maipo vineyard A

Formed in 2004, its initial investment is estimated at about 7 million dollars. It has a planted area of 256 hectares (of a total of 560 hectares) in the Maipo Valley, with Cabernet Sauvignon, Merlot, Cot, Carménère, Syrah and Petit Verdot, which enables them to date (2014), obtain annual returns from exports of about 3.5 million. 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 count with certification in good environmental practices and fair treatment to workers. Exports account for 76.7% of sales, with Canada, Brazil, 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.

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 valley 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 Carménère. 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 a nearly 8 million dollars in 2010. The company currently exports to almost 50 countries, although 65% of its exports are concentrated between the US, Canada, Japan, China and the UK.

Maipo vineyard B

Founded in 2001, this company harvests in its 150 hectares of vines 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 do 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 markets major overseas Brazil, China and the United States.

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 is a man with vast international experience within the wine industry, which 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 to \$ 800,000 for the entire previous decade), and to currently reach, in 2014, \$ 1.8 million, despite being strong in international markets, with exports to China, Japan, Brazil, the United States and Ecuador.

Colchagua vineyard

Created in 1997 with a capital of nearly \$ 4 million, the vineyard has about 140 hectares planted in the Colchagua Valley, which include varieties as Cabernet Franc, Carménère, 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 between China, Canada, Brazil, England, and The Netherlands, and to a lesser degree, to other countries.

4. RESULTS

Once the beginnings and main characteristics of each company are known, we will go in-depth on how these companies behave in relation to the various parameters that describe rapid-growth firms, in accordance to the description conducted previously in the literature (see Table 1). In this regard, Table 2 shows an overview of export performance for each company under study, as well as other aspects relevant to the research. According to these results, it is apparent that export performance, which represent equal or higher percentage than 75% of total sales for all studied companies, acts as an indicator for the growth rate of the company in the Chilean wine industry, where domestic demand is very low compared to production (Castaldi *et al.* 2006).

TABLE 2. CHARACTERISTICS AND PERFORMANCE OF COMPANIES UNDER STUDY

	Rapid-growth companies			Moderate-growth companies		
	Cachapoal Vineyard	Mixed Vineyard A	Maipo Vineyard A	Maipo Vineyard B	Mixed Vineyard B	Colchagua Vineyard
Founding year	2006	2000	2004	2001	1990	1997
Exports 1st year (USD)	82.656	43.120	168.660	183.330	601.876	280.550
Exports 2nd year (USD)	160.152	296.076	662.710	150.000	621.649	310.115
Exports 3rd year (USD)	588.214	456.556	1.138.359	175.000	546.125	315.230
Exports 4th year (USD)	210.930	718.489	2.139.459	No data	631.195	272.907
Exports 5th year (USD)	No data	1.226.710	2.696.712	No data	650.494	No data
Number of Employees	>300	>500	>300	>50	>50	>50
Planted Hectares	388	1.100	256	150	200	140
Initial investment (millon USD)	28	No data	7	2	2	4

Source: Authors

As can be seen from Table 2, the three companies considered as fast-growing (Cachapoal, Maipo A and Mixed A) have annual growth in exports by 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. In all cases studied reveal sales over \$ 100,000 during the second year, which is considered the limit for qualifying small and medium enterprises (SMEs) in Chile (Cancino *et al.* 2012).

Moreover, the number of employees that is provided by each of the six studied businesses surpasses more than 20 hired employees during the period of the first 5 years, which Autio (2007) describes as a key factor to describe dynamic enterprises. Given this, 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 the extension of the same, 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 keep in mind the relevance that each of these plays in the economy of the sector in which they participate, 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 investigation (Table 3), it is noteworthy that access to higher education is common-ground to all founders in the sample, having no influence on the growth rate these experience. 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. Given this, it is

curious that the Colchagua vineyard shows moderate growth, despite its founder has experience in leading large-scale enterprises, which could be caused by a lower level of dedication to the vineyard, against other projects in which the founder is engaged, a point that should be addressed in future research.

TABLE 3. FEATURES OF THE FOUNDER OR FOUNDERS OF EACH COMPANY

	Rapid-growth companies			Moderate-growth companies		
	Cachapoal Vineyard	Mixed Vineyard A	Maipo Vineyard A	Maipo Vineyard B	Mixed Vineyard B	Colchagua Vineyard
Relevant experience in the industry	NO	NO	NO	NO	Yes	NO
Prior experience in business creation	Yes	Yes	Yes	Yes	NO	Yes
Size of prior projects	Large	Large	Large	Small	N/A	Large
Social and professional networks in the industry	NO	NO	Yes	Yes	Yes	Yes
Education level	Higher	Higher	Higher	Higher	Higher	Higher
Comprised by a team instead of a single-founder	No	Yes	Yes	Yes	NO	NO

Source: Authors

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 founder 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 the team participation rather than a single-founder was positive for the company, since having a range of views would allow making better decisions. 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), it is possible to 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. On the one hand, quality certifications are required to enter more effectively in international markets, while on the other hand, 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, should 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.

TABLE 4. COMPANY CHARACTERISTICS REGARDING MANAGEMENT AND NETWORKS

	Rapid-growth companies			Moderate-growth companies		
	Cachapoal Vineyard	Mixed Vineyard A	Maipo Vineyard A	Maipo Vineyard B	Mixed Vineyard B	Colchagua Vineyard
Commitment towards growth	Yes	Yes	Yes	No	No	Yes
Participation in associations	Yes	Yes	Yes	Yes	Yes	Yes
Partnership with public entities	No	No	Yes	Yes	Yes	No
Quality certifications	Yes	Yes	Yes	Yes	Yes	Yes
Planning (strategic and growth management)	Yes	Yes	Yes	No	No	Yes
Family participation	Yes	Yes	Yes	Yes	Yes	Yes

Source: Authors

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 towards 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 towards 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.

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, investment in innovation 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, reflects the ability to interact with distributors and suppliers at the place 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).

TABLE 5. COMPANY CHARACTERISTICS REGARDING BUSINESS PRACTICES

	Rapid-growth companies			Moderate-growth companies		
	Cachapoal Vineyard	Mixed Vineyard A	Maipo Vineyard A	Maipo Vineyard B	Mixta Vineyard B	Colchagua Vineyard
Price/bottle (USD)	120	15	20	15	15	38,3
Use of new technologies	Yes	Yes	NO	NO	NO	NO
New brands in the last two years (Innovation)	1	0	1	0	0	1
Investment in innovation over sales	Over 2.5%	Over 2.5%	0,3 a 2,5	0 a 0.3%	0 a 0.3%	Over 2.5%
N° of international markets	12	40	21	6	15	10
Domestic and international dealers	multiple	multiple	multiple	multiple	multiple	multiple
Offices in Santiago	NO	Yes	Yes	NO	NO	Yes

Source: Authors

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. CONCLUSIONES

Despite the positive outcomes seen following every entrepreneurship there are researchers who postulate that the 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 the wine sector in Chile. High-impact or dynamic entrepreneurs in this sector, will positively impact the results of the Chilean economy.

Several authors have shown that dynamic entrepreneurship have particular characteristics at an organizational level, of their founder or management, or of the practices carried out by the company when operating (Doorley and Donovan, 1999 Baum et al, 2001, Barringer et al, 2005; Cancino, 2014). 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 before assessing the parameters described in advance in the literature, to perform an analysis to determine which of these parameters are relevant to the reality of the country and sector under research.

In this paper, six family-owned wine companies were studied, three of rapid-growth and three of moderate-growth. With this group 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 by about \$ 100,000 USD annually generates no distinguishing feature that helps 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; given that the high 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 have to do 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 did find 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 of other businesses, these practices include strategic-planning focused on growth, company commitment towards 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).

Finally, 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 to clarify 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.

REFERENCES

- Allen, K.R. (1999). *Growing and managing an entrepreneurial business*. Houghton Mifflin Co., Boston: 168-195.
- Autio, E. (2007). *Global entrepreneurship monitor: 2007 global report on high-growth entrepreneurship*. Babson College.
- Autio, E., Arenius, P. and Wallenius, H. (2000). *Economic impact of gazelle firms in Finland*. Helsinki University of Technology Working Paper Series.
- Ávila, H. L. (1999). *Introducción a la metodología de la investigación*. [Edición electrónica]. Extraído el 2 de febrero de 2015 www.eumed.net/libros/2006c/203/
- Bardají, I. (2004). Tendencias en el mercado español del vino. *Distribución y Consumo*, 68, nov-dic, pp. 57-64.
- Barringer, B.R. and Greening, D.W. (1998). Small business growth through geographic expansion: A comparative case study. *Journal of Business Venturing*, 13 (6), 467-492.
- Barringer, B.R., Jones, F.F. and Neubaum, D.O. (2005). A quantitative content analysis of the characteristics of rapid-growth firms and their founders. *Journal of business venturing*, 20 (5), 663-687.
- Barringer, B. and Harrison, J. (2000). Walking a tightrope: creating value through interorganizational relationships. *Journal of Management*, 26 (3), 367-403.
- Baum, R., Locke, E. and Smith, K. G. (2001). A multidimensional model of venture growth. *Academy of Management Journal*, 44 (2), 292-303.
- Berrios, R. and Saens, R. (2012). Atrapados en la marca país. *Revista Cepal*, 106(15), 79-93.
- Birch, D. L. (1981). Who creates jobs. *Public Interest*, 65 (1), 3-14.
- Bonilla, C.A. and Cancino, C.A. (2011). *El impacto del Programa de Capital Semilla del Sercotec en Chile*. Inter-American Development Bank.
- Cancino, C. (2014). Rapid internationalization of SMEs: Evidence from born global firms in Chile. *Journal of Administrative and Social Sciences, INNOVAR*, 24, spec. issue, 141- 151.
- Cancino, C.A. and La Paz, A.I. (2010). International New Ventures en Chile: tres casos de éxito. *Academia. Revista Latinoamericana de Administración*, 45 (1), 140-162.
- Cancino, C.A., Coronado, F. and Farias, A. (2012). Antecedentes y resultados de emprendimientos dinámicos en Chile: cinco casos de éxito. *Journal of Administrative and Social Sciences, INNOVAR*, 22 (43), pp. 19-32.
- Case, J. (2001). *The gazelle theory*. Inc Magazine. The 2001 State of Small Business Issue.
- Castaldi, R., Cholette, S. and Hussain, M. (2006). *A Country-Level Analysis of Competitive Advantage in the Wine Industry*. DEIAgra Working Papers. Boloña, Italia: 15.
- Chave, S.P. (1958). Henry Whitehead and cholera in Broad Street. *Medical history*, 2 (2), pp. 92-108.
- Chetty, S. (1996). The case study method for research in small-and medium-sized firms. *International small business journal*, 15 (1), 73-85.

- Cohen, W. and Levinthal, D. (1990). Absorptive capacity: a new perspective on learning and innovation. *Administrative Science Quarterly*, 35 (1), 128-152.
- Cunneen, D. and Meredith, G. (2007). Entrepreneurial founding activities that create gazelles. *Small Enterprise Research*, 15 (1), 39-59.
- Davidsson, P. and F. Delmar (2006). *High-growth firms and their contribution to employment: The case of Sweden 1987-96*. Entrepreneurship and the Growth of Firms. Cheltenham: Elgar: 156-178.
- De La Hamaide, S. (2014). USA becomes world biggest wine market as French drinkers cut down., Reuters, Edition US, may 13, 2014. Obtenido de <http://www.reuters.com/article/2014/05/13/us-wine-usa-france-idUSKBN0DT0YO20140513>.
- Delmar, F., P. Davidsson and W. B. Gartner (2003). Arriving at the high-growth firm. *Journal of business venturing*, 18 (2): 189-216.
- Donckels, R. and Lambrecht, J. (1995). Joint ventures: No longer a mysterious world for SMEs from developed and developing countries. *International Small Business Journal*, 13 (2), 10-26.
- Doorley, T. and Donovan, J. (1999). *Value-creating growth*. San Francisco, Jossey-Bass.
- Eisenhardt, K.M. (1989). Building theories from case study research. *Academy of management review*, 14 (4), pp. 532-550.
- Felzensztein, C. (2014). The Chilean wine industry: new international strategies for 2020. *Emerald Emerging Markets Case Studies*, 4 (2): 1-12.
- Fischer, E. and A. R. Reuber (2003). Support for rapid-growth firms: a comparison of the views of founders, government policymakers, and private sector resource providers. *Journal of small business management*, 41 (4): 346-365.
- Flint, D.J., Golobic, S.L. and Signori, P. (2011). *Sustainability through resilience: the very essence of the wine industry*. In: 6th AWBR International Conference, 9-10 June 2011, Bordeaux.
- Grilli, L. and S. Murtinu (2011). Turning European new technology-based firms into “gazelles”: the role of public (and private) venture capital. This research was conducted with the support of the 7th European Framework Program (Grant agreement no.: 217485). <http://ssrn.com/abstract1892024>.
- Harrison, J. and Taylor, B. (1997). *Supergrowth Companies*. Oxford: Reed Educational and Professional Publishing.
- Kantis, H. and S. Díaz (2011). *Innovación y Emprendimiento en Chile. Una radiografía de los emprendedores dinámicos y de sus prácticas empresariales*. Santiago: ENDEAVOR.
- Kim, W. and Mauborgne, R. (1997). Value innovation: the strategic logic of high growth. *Harvard Business Review*, 75 (1), 103-112.
- Kolvereid, L. (1992). Growth aspirations among Norwegian entrepreneurs. *Journal of Business Venturing*, 7 (3), 209-222.
- Kuratko, D.F. (2005). The emergence of entrepreneurship education: Development, trends, and challenges. *Entrepreneurship theory and practice* 29 (5): 577-598.

- Leiva Bonilla, J.C. and J. Alegre Vidal (2012). Gazelle companies: definition and characterization. *Academia Revista Latinoamericana de Administración* (50): 31-43.
- Loubère, L.A. (2014) *The Wine Revolution in France: The Twentieth Century*. Princeton, New Jersey: Princeton University Press.
- MacMillan, I. C. and D. L. Day (1988). Corporate ventures into industrial markets: Dynamics of aggressive entry. *Journal of business venturing*, **2** (1): 29-39.
- Maxwell, J. A. (2008). *Designing a qualitative study*. The Sage handbook of applied social research methods: 214-253.
- Reynolds, P.D. (1987). New firms: societal contribution versus survival potential. *Journal of Business Venturing*, **2** (3): 231-246.
- Rialp, A., J. Rialp, D. Urbano and Y. Vaillant (2005). The born-global phenomenon: a comparative case study research. *Journal of International Entrepreneurship*, **3** (2): 133-171.
- Sapienza, H. J. and C. M. Grimm (1997). Founder characteristics, start-up process, and strategy/structure variables as predictors of shortline railroad performance. *Entrepreneurship Theory and Practice*, **22**: 5-24.
- Shane, S. (2009). Why encouraging more people to become entrepreneurs is bad public policy. *Small business economics*, **33** (2): 141-149.
- Sims, M. A. and N. O'Regan (2006). In search of gazelles using a research DNA model. *Technovation*, **26** (8): 943-954.
- Singer, B. (1995). Contours of development. *Journal of Business Venturing*, **10** (4): 303-329.
- Storey, D. J. and P. Morgan (1996). *The ten percenters. Fast growing SMEs in Great Britain. First, second, third and fourth report*. London: Deloitte & Touche International.
- Yin, R. K. (2011). *Applications of case study research*. Sage publications.
- Yin, R. K. (2013). *Case study research: Design and methods*. Sage publications.

RULES FOR SUBMISSION AND PRESENTATION OF WORK

Rules for submission of work

1. Send a copy of the original, along with a CD containing the document in Word, to the Editorial Coordinator or can be sent by email to the following address:

Mailing Address for submission of papers:

Working Papers “New trends in accounting and management”

Anna Vendrell Vilanova

Editorial coordinator

Department of Business Administration

Faculty of Law and Economics

c/Jaime II, 73

25001 Lleida (Cappont Campus)

Tel: 973 7032 22

Fax: 973 7033 43

E-mail: ana.vendrell@aegern.udl.cat

In separate sheet must state the name of the author/s by the institution to which he belongs currently. In addition, must provide the contact postal, telephone and electronic mailing of first or one author.

All papers will be evaluated by the committee or persons appointed by the committee.

2. As an international publication are accepted in other languages, mainly English, Castilian and Catalan.
3. The Editorial Committee may accept other items as notes, communications, papers, abstracts of contributions, book reviews, which should not exceed 15 pages.
4. The submitted works will review anonymously.
5. Written reply will be given on the evaluation of the article for acceptance, acceptance with suggestions or rejection.
6. By submitting work for evaluation, the author agree transfer the copyright to: Working Paper “New trends in accounting and management “, for publication in print and/or electronically.
7. At least will be published one working paper annually.

Standards of presentation and style of work

1. The maximum length of the work will be 36 pages, including graphics on them, figures, pictures, tables, footnotes, appendices or annexes and literature. The first page will contain the title, name and affiliation of the author/s, an abstract of 200 words or less, and multiple keywords (4 to 6).
2. The abstract should be in English and in the original language. The abstract shall indicate the nature of the document (if it is a product of research, reflection, or a review of a topic), objective of the document (which seeks the document), the methodology research and the main conclusion of the document or evidence. Also keywords must appear in English and the original language.
3. It used single-spaced, Times New Roman, size 12 and margins of 3cm (top, bottom, left and right). For notes as footnotes: single-spaced, Times New Roman, size 9.
4. In the final part of the article, the literature and other sources used in order alphabetically by author or, failing that, by title, other wise respecting the guidelines for references to footnotes.
5. The headings of the article is structured in the manner shown below, placing the mat the beginning of the line, without bleeding in any text you want follows:

1. CAPTIONS IN CAPITAL LETTERS

1.1. Subheadings in bold lower case

1.1.1. Paragraphs in italics

1.1.1.1. Subsections in normal letters

6. Tables, charts, graphs and figures should be numbered consecutively with arabic characters, carrying a concise heading and footnotes explaining the symbols and clarifications, referring to the text as Table 1, Chart 1, Graph 1, Figure 1.
Mathematical expressions are listed in the right margin.
7. References appointments are entered foot notes and listing shall be continuous (not to be by chapters).
8. The bibliographical references cited in the text of the work will be presented in two ways, depending on the context and the wording of the paragraph to include:
 - a) indicating in brackets the name of the author/s, followed by the year and page number, for example: (Hall, 1946, p. 23) or (Stiglitz et al., 1986, p. 25-35).
 - b) Identifying the author's name and, in parentheses, the year, for example: Rodriguez (1956) or Ruiz and others (1996) or Ruiz, Martin and Aldin (1976). for example: (Hall, 1946, p. 23) or (Stiglitz et al., 1986, p. 25-35).
9. References are ordered alphabetically put after work, and chronologically in the case of several works by the same author. They put in italics the name of the review and the title of the books. The score and the order will be adjusted to the following models:

- Journal articles:

Berger, A. and Udell, G., (1992): “Some Evidence on the Empirical Significance of Credit Rationing”, *Journal of Political Economy*, vol. 100,(5), pp. from 1047 to 1077.

- Books:

Brealey, R. and Myers, S. (2003): *Principles of Corporate Finance*, McGraw-Hill (ed.), Madrid.

- Book chapters:

Rymes, T. K. (1990): “On the publicness of Fiat Money”, in A. Asimakopulos, R.D. Cains and C. Green[ed.]: *Economic Theory, Welfare and the State*, p. 409-420. London: Macmillan.

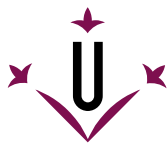
- Technical reports, communications and working papers:

Ministry of Industry and Energy (1992): *Statistical mining of Spain, 1974-1991*. Madrid: Ministry of Industry and Energy.

Aybar, C.etal., (2000): “Emerging Approaches around the Capital Structure: The Case of SMEs”, *Finance Forum VIII*. Spanish Finance Association (AEFIN). Madrid, pp. 1-29.

Narula, R. and Hagedoorn, J. (1997): *Globalization, Organisational Modes and the Growth of International Strategic Alliances*. (Working Paper 97-017). Maastricht: Maastricht Economics Research Institute on Innovation and Technology (MERIT).

<http://www.aegern.udl.cat/ca/recerca/papers.html>



Universitat de Lleida

