

**The Niagara Cottage Wine Industry Study**  
**Eugene Luczkiw**  
**Director**  
**The Institute for Enterprise Education**

This study is a culmination of a major initiative by the Institute for Enterprise Education to create public awareness and establishment of ongoing programs to develop an enterprising culture in all organized sectors of our society.

The final challenge in all of this is to explain the complexity, chaos and change in a way that is understandable by people who are effected by the above. This is a monumental task given that these complexities have confounded and confused the experts themselves, experts whose traditional reductionist methods no longer provide the predictable answers grounded in the past.

The wine industry study provides us with an opportunity to increase public awareness and involvement in change as it applies to people, their organizations and the workplace. By means of human interest stories, we learn about those enterprising habits that need to be developed if we are to become active players in the late 90's and into the next Millennium.

As we begin to move further and further into the knowledge and information age, we begin to see more and more evidence that existing methods of doing business in public or private institutions and organizations no longer work.

Although many sources of knowledge exist in texts, journals and in the minds of consultants, most of these focus on the impact of change on the structures of these organizations rather than building on the interests, strengths, talents, and values of the people inside these units.

The failure to focus on individuals and their contribution to the organization overlooks the real cause of failure. Organizations don't fail, people do. This failure has prevented organizations from effectively integrating the efforts of their people to create an enterprising and flexible system designed to meet the challenges of change.

These changes are the result of major technological breakthroughs both in the fields of science and technology.

An explosion in the means of communications has broken down existing national boundaries. This communications revolution has lead to the breakup of countries (The Soviet Union) as well as hierarchical organizations around the globe.

As long as these existing hierarchical structures were able to control information, they had an ability to dictate the nature of structure (organization) and control the people within. As the mainframe computer was being replaced by PC's, cracks appeared as information became available to all. This democratization of information broke down the organization's ability to control. As evidenced by the breakup of the Soviet Union, a series of new discontinuities led to a series of chaotic occurrences as also evidenced by General Electric's transformational process. As Jack Welch of General Electric concluded "Boundaries, Stretch, Speed" became the methodologies transforming General Electric into an information based organization.

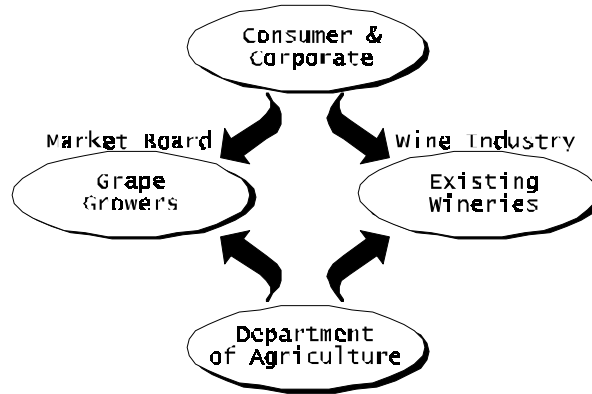
The future will continue to provide new surprises with even greater intensity. While most organizations continue to putter with incremental changes as they continue to seek out the latest buzzwords and fads, they incur major costs in the thousands of dollars in patching up the existing structures. In preparing a methodology for the knowledge age, the Institute team searched in areas that are normally outside the scope of traditional business fields. Our search took us into fields such as anthropology, biological sciences, the science of complexity, evolutionary economics, psychology, social psychology, and sociology, as well as the emerging fields of entrepreneurship and enterprise development.

It was our intention to create a learning model that transcended conventional programs by integrating and synthesizing lessons learned from the above disciplines. This holistic approach would begin with a personal focus and grow into a knowledge based learning organism that would provide the opportunity to meet the challenges of change by applying operating systems that were aligned with the latest technological advances. If we could catch up with these technological advances and in time create new opportunities we could influence the kinds of change that would positively impact on each person as well as the organization.

In the fall of 1993, we undertook this monumental task by conducting our own research in an industry that for many years was part of an existing industrial based infrastructure. The Wine Industry of Niagara had a very close relationship with the government (which controlled pricing), the Marketing Board which represented the farmers (guaranteed sales) within a traditional based culture.

One could readily see that within this environment, it would not be necessary for these organizations to change or innovate as there was no incentive to do so. The farmers were guaranteed their sales at pre-determined prices. The wineries could sell all their production because foreign imports were controlled by the Liquor Control Board of Ontario. The government in this case became not only the intermediary between producer and supplier, but also as the customer through its monopoly on distribution and sales, which ensured an orderly operation of the Industry.

**The Relationship:**  
Pre 1973  
Government



This type of scenario was common in other large industries that had close relationships with government departments responsible for controlling external competition. For many years, the steel industry, for example, enjoyed such privileges along with the automobile industry. What they did not recognize was the power of the individual mind and the person's creative nature leading to the creation of major technological and scientific innovations such as the personal computer and the operating software that provides every person with an opportunity to bring about these kinds of change.

To bring about these changes it became imperative that the Institute begin to develop a learning strategy that encompassed those enterprising habits needed to effect change as well as to nurture creativity, risk taking, and mistake making within a team based environment that would provide the participants with support as they focused upon the chaos, complexity and change encountered in the external environment.

In the fall of 1993 we commenced the study of the Niagara Cottage Wine Industry. As previously mentioned our initial objective was to identify a success model for potential entrepreneurs to follow.

As Michael Porter's five-year competitiveness study pointed out, there were sterling examples of industry competitiveness in the global economy that should become the operating system for most countries, communities and industry groups.

Together with the work of Michael Porter, we used the definition of entrepreneurship developed by Jeffrey Timmons and Daryl Mitton in their respective studies of successful entrepreneurs and their enterprises.

At the time of our study, Amar Bhide completed an evaluation of how entrepreneurs succeed in developing ideas into business opportunities. As you will see, our findings were consistent with Bhide's as far as planning was concerned. In both surveys the majority of successful entrepreneurs lacked a formal business plan at the time of startup.

In 1992, anthropologist George Land in *Breakpoint and Beyond*, presented a model related to breakpoint changes that had taken place since the beginning of the agricultural stage. This research led to an identification of steps for effecting both personal and organizational change during periods of dislocation and transition. Land's three steps included:

1. Create a vision of the future
2. Develop interdependent relationships within and outside existing organizational structures
3. Create what has not been created before

Hamel and Prahalad in *Competing for the Future* have confirmed these steps by arguing that perhaps the greatest advantage of the vision of the future lies in the way organizations see their business today. Those with a vision of the future begin to see their organizations as portfolios of resources and not as a collection of independent units.

We turned to the successful Niagara Cottage Wine Industry to look for models.

1. What lessons could we hope to learn from such a traditional industry in an era of information technology?
2. How could we model the efforts of the start up entrepreneurs who broke the existing paradigms to identify new opportunities?
3. Were these actions consistent with existing research related to entrepreneurship and new venture creation?
4. Can we apply the lessons to activities in other public and private organizations?
5. Can education and government benefit from the global successes of the Niagara Cottage Wine Industry?

All research projects in the social sciences suffer from inherent limitations and difficulties and this one is no exception. For one thing, we cannot perform controlled,

repeatable experiments where we hold all but one critical variable constant and assess various outcomes from tweaking that variable.

Along with the above difficulties, Western culture has always esteemed critical thinking. Today, many still regard this as the highest exercise of the human intellect. But as Thomas Kuhn in the *Structure of Scientific Revolutions (1972)* discovered, **"a body of knowledge does not grow in a linear and inexorable fashion toward some ultimate explanation. Rather our world is shaped by a model, a paradigm, that changes in a discontinuous fashion."** Edward DeBono, the father of lateral thinking in *Sur-petition* points out that in his study of recent Nobel Prize winners, 93 out of 95 arrived at their discovery not by the process of incremental thinking but as a result of chance occurrences.

We need to internalize a new world view that requires thinking that is different from the past. As Einstein points out we cannot hope to use the same kind of thinking that caused the problem in the first place.

In the case of the emerging Wine Industry, it was a chance occurrence that became responsible for the rebirth of this new industry. When Donald Ziraldo and Karl Kaiser approached the government department in charge of the Wine Industry in 1972, they were originally rebuffed. However, this was shortly followed by a visit to General Kitching of the Liquor Control Board who was anxious to see competition in the field and handed out the first license since 1929 to Inniskillin Wines.

It is chance occurrences such as these and our reactions to them that determine future outcomes that are significantly different from those anticipated by strategic planners. If this is the case, the decision to issue a license led to the creation of a major paradigm shift; leading to production of world class wines that indeed could be produced in Niagara, from vinifera grapes that were not supposed to survive in the area. At least that was the opinion of the day held by researchers at the Vineland Agricultural Research Station.

The successful growth of this new industry, has been consistent with Michael Porter's model of global competitiveness and has also led to the renewal of the dying tourism industry in Niagara. Today, more than ever as foreigners arrive to taste the world class ice wines, and as the media begins to generate more positive publicity, the industry led by a group of product champions has become a model for effecting organizational change, on the edge of order and chaos. It is pragmatic lessons such as these that help us focus on what needs to be done in this period of major dislocation and transformation.

The future challenges facing the Niagara Cottage Wine Industry will include maintaining the spirit of enterprise, the management of innovation and growth as well as creating effective systems to increase global exposure and trade.

As with any growing organism, the Cottage Wine Industry needs to closely explore its own future direction constantly mindful of the need to renew and regenerate its organizational side while pursuing its vision of the future.

### **Objectives of Wine Industry Study:**

- Validate Michael E. Porter's Competitiveness Study
- Identify Industry Success Factors
- Identify Enterprising Habits of Entrepreneurs
- Apply lessons of this study to the creation of successful models in new venture creation and management
- Validate existing curricula and methodologies in the field of entrepreneurship
- Incorporate lessons from this study toward creation of innovative programs in the fields of enterprise education and entrepreneurship
- Instill a working model for effecting change and growth in existing private and public organizations
- Identify a working model for creation of an enterprising culture in communities across Canada

### **The Findings:**

1. Change will be affected by organizations working on the fringes. They will create what seems impossible. They will not follow convention.
2. Each young industry group will need a product champion to lead the charge in order to drive this change and make it public.
3. The characteristics of entrepreneurs and their actions identified in this study are consistent with the research of Mitton and Timmons and provide evidence that entrepreneurship can be taught. (Gibb)
4. In the early stages of growth, the entrepreneurs as change agents will effect change based on intuition and not on extensive research.

5. The success achieved by the cottage wine Industry of Niagara will be evaluated by the larger wineries and incorporated into their strategy.
6. Government's role should be to facilitate change by providing a high quality infrastructure, advanced factor creation and appropriate incentives. (Porter)
7. A strong research and development component will be part of every institution and organization in order to monitor change and incorporate innovation into existing systems. These efforts will serve as standards of excellence for both personal renewal and systems change.

### **The Niagara Cottage Wine Industry Study - Thesis**

- *Transformational change comes from the edge of order and chaos.*
- *Effective transformation of organizations begins on the edge of existing structures.*
- *Taking risks in creating a new enterprise enables people to take initiative in determining a future vision that liberates their individual capabilities and talents.*
- *People create what has not been created before and discover new sources of opportunity by exploring in an enterprising, imaginative and interdependent manner.*