

**Thriving and Surviving in the New World Wine
Industry:
Examining the Impact of Social Relations in Family
Firms**

by

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***A Thesis Submitted in fulfillment of the Requirements for the Degree of Doctor of
Philosophy of Cardiff University***

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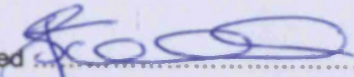
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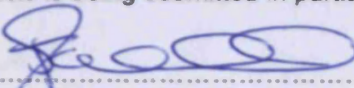
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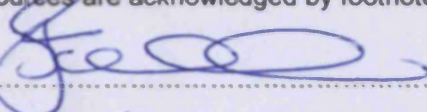
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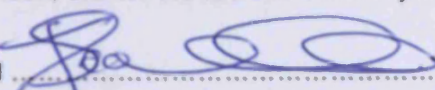
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Abstract

The objective of the research is to create new understanding of how family businesses utilise their network relationships to survive and grow their business. The focus rests on how family business participants are interlocked within relationships both within the business itself and with external stakeholders. Analysis of the research reviews the concept of 'Systems of Exchange' (as proposed by Biggart and Delbridge 2004), which is revised for application to the family business.

A critical review of the theoretical literature in the areas of networking and family business theory highlight the gaps in our knowledge of how networks are composed and how exchanges are conducted in family firms. A synopsis of the viticulture industry provides a contextual background in which the study took place. The methodology of the research is grounded in a critical realist approach in which a mixture of participant observation and in-depth interviewing were conducted. A total of three case studies were undertaken, comprising over six months in the field. The cases were based in similar sized viticulture businesses in three different countries; the UK the USA and Australia.

The findings indicate that, due to the strong organisational identification that derives from being a family firm in the agricultural industry, particularistic relationships dominate as the basis for orientation to a network. A high level of substantively rational exchanges was also observed with exchanges with the local community and internal actors in these organisations. It is concluded that the 'agricultural heart' forms a substantial moral basis for many exchanges formed with external network partners, suggesting that a larger proportion of moral exchanges are found within the agricultural industry. Further, the level of involvement of the family in the daily activities of the business was seen to highly affect the portfolio of exchanges that were observed. These findings are represented within the revised Systems of Exchange framework.

The study makes a number of contributions to organisation and family business theory. Firstly, the study develops the Systems of Exchange framework, demonstrating that understanding of exchanges can be improved by elaborating the framework to reflect the dynamic nature of ties and potentially asymmetrical nature of relationships. Secondly, the framework needs to be located within the local context of exchange and it is therefore extended to reflect a number of mediators of exchange relations. Thirdly, the data leads to the development of a new model which links the concepts of social capital, dynamics of trust and situated logics. By presenting these revised and new frameworks, clear contributions to knowledge are identified.

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Contents

Title Page	i
Copyright	ii
Declaration	iii
Abstract	iv
Acknowledgements	v

Chapter 1: Introduction: Purpose, Problems and Structure of the Thesis

1.1	Overview	1
1.2	Purpose of the Research	2
1.3	Methodology	7
1.4	Research Outcomes	9
1.5	Structure of the Rest of the Thesis	10
1.6	Conclusion	15

Chapter 2: Exchange Relations, Network Ties and Social Capital

2.1	Introduction	16
2.2	Markets, Hierarchies and Networks	17
2.3	Systems of Exchange Typology	20
2.4	Extending the Systems of Exchange Framework	27
	2.4.1 Dynamics of Ties	28
	2.4.2 Context	32
	2.4.3 Levels of Analysis	34
	2.4.4 Social Capital and Trust	37
2.5	Conclusions	45

Chapter 3: Understanding Family Business Relations

3.1	Introduction	46
3.2	Concept of the Family Firm	47
	3.2.1 Logics and the Family Firm	52
3.3	Family Firms and Systems of Exchange; Areas Requiring Attention	54
	3.3.1 Orientation to Action and the Family Firm	55

3.3.2	Nature of Relations and the Family Firm	59
3.3.3	Dynamic Nature of Ties	64
3.3.4	Concepts of Social Capital, Trust and the Family Firm	66
3.4	Methodological Shortcomings in Current Research	71
3.4.1	Research Setting: Wine Industry	72
3.5	Contributions and Research Objectives	75
3.6	Conclusions	78

Chapter 4: Methodology

4.1	Introduction	80
4.2	Research Philosophy and Claims to Knowledge	81
4.3	Research Design	86
4.3.1	Case Study Design	86
4.3.2	Comparative Research	89
4.4	Research Methodology	91
4.4.1	Interviewing	91
4.4.2	Participant Observation and Experiences of Fieldwork	96
4.4.3	Reflexivity	98
4.5	Research Access, Selection and Participants	101
4.5.1	Research Access and Organisation Selection	101
4.5.2	Research Participants	103
4.5.3	Interview Formats and Schedules	107
4.6	Data Recording, Coding and Analysis	107
4.6.1	Data Recording	108
4.6.2	Data Coding	110
4.6.3	Data Analysis	112
4.7	Trustworthiness and Authenticity	114
4.8	Ethical Issues	116
4.9	Reflection and Summary	118

Chapter 5: Industry Context and Case Introductions

5.1	Introduction	119
5.2	Agricultural Diversification: UK→ Worldwide	120
5.3	Wine Industry Development and Patterns of Change	123
5.3.1	Development of the Australian Wine Industry	123

5.3.2	Development of the UK Wine Industry	124
5.3.3	Development of the American Wine Industry	125
5.4	Current Position of the Wine Industry	126
5.5	Regional Context	132
5.5.1	California: Sonoma County	132
5.5.2	Western Australia: Pemberton	136
5.5.3	United Kingdom: Wales	140
5.6	Introduction to the Cases	144
5.6.1	UK; Abbey Vineyard	145
5.6.2	USA; Clifford Vineyards	147
5.6.3	Australia; Windybank Wines	150

Chapter 6: External Ties: 'The One Crop Circle'

6.1	Introduction	153
6.2	The Nature of External Ties	154
6.3	Community Relations	156
6.4	Family and Friendship Ties	166
6.5	Relations with Legislative and Industry Bodies	173
6.6	Supply Chain Relationships	183
6.6.1	Relationships with Grape Buyers	183
6.6.2	Relationships with Custom Crush Clients	192
6.6.3	Relationships with Competitors	195
6.6.4	Relationships with Distributors	199
6.7	Internal or External: A Grey Area	204
6.8	Conclusions	205

Chapter 7: Internal Relationships: Impact of Family Involvement

7.1	Introduction	207
7.2	Employment Ties in Family Firms	209
7.3	Differing Levels of Family Involvement	212
7.4	Employees' Interaction with the Family	216
7.5	Influences of Family Approaches to Internal Ties	223
7.6	Visible Effects of the Family on the Employment Relationship	228
7.6.1	Positive Effects of Family Involvement on Employment Relations	228
7.6.2	Visible drawbacks of Family Involvement on Employment Relations	232

7.7	Gendered Roles in the Family Business	237
7.8	Other Internal Ties	243
7.9	Conclusions	246

Chapter 8: Key Issues In Understanding Relationships: Growth

8.1	Introduction	248
8.2	Growth and Shifting Dynamics of Relationships	249
8.3	Orientation to Action Highlighting Contractions in Growth	254
8.3.1	Instrumental Rationality and Growth	254
8.3.2	Substantive Rationality and Growth	257
8.4	Particularistic Structure of Social Relations and Growth	261
8.5	Effects of Trust and Social Capital through Growth	262
8.6	Factors Affecting Orientation to Action: Mediators of Exchange Relations	265
8.7	Conclusions	266

Chapter 9: Applying the Systems of Exchange: Theoretical Implications

9.1	Introduction	268
9.2	Empirical Application to the Systems of Exchange Framework	269
9.2.1	Nature of Relationships	270
9.2.2	Levels of Analysis	278
9.3	Theoretical Extensions to the Systems of Exchange	281
9.3.1	Dynamic Nature of Ties	282
9.3.2	Asymmetrical Relationships	287
9.4	Mediators of Exchange Relations	290
9.5	Presenting the Revised Systems of Exchange Framework	294
9.6	Developing Concepts of Family Business Exchange Relations	296
9.6.1	Situated Logics	296
9.6.2	Social Capital	299
9.6.3	Trust	304
9.7	A New Understanding Family Business Relations	309
9.8	Conclusions	311

Chapter 10: Conclusions

10.1	Introduction	313
10.2	Contributions of the Study: A Summary	316

10.3	Limitations of the Study	319
10.4	Implications for Academic Research, Policy and Practice	321
10.5	Recommendations for Future Research	321
10.6	Concluding Remarks	324

Bibliography	326
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Appendices

Appendix 1: Interview schedules

Appendix 2: Letters negotiating access

a) UK

b) USA

c) Australia

Appendix 3: Coding areas

Appendix 4: Ethics committee proposal and consent

Appendix 5: Confidentiality form provided to participants

Appendix 6: Trade Agreements affecting wine businesses studied

Particulars: Accompanying visual documentation

List of Figures

2.1	Systems of Exchange (SoE): Biggart and Delbridge (2004)	25
2.2	Social capital and the Systems of Exchange framework	40
3.1	Three circles model; Gersick et al (1997)	50
5.6	Appellations of Sonoma County	135
5.9	Wine regions of Western Australia	139
5.11	Abbey Vineyard: company structure	145
5.12	Clifford Vineyard: company structure	147
5.13	Windybank Wines: company structure	150
7.1	Evaluating workplace relations using the SoE	207
7.3	Empirical representation of internal ties in the SoE	245
9.1	Review of the Systems of Exchange framework	270
9.2	Conceptual representation of interactions with the community	277
9.3	Comparing levels of analysis: representation of exchanges in the winery community	281
9.4	Representation of asymmetrical orientation: Example of internal relations	288
9.5	Revised Systems of Exchange framework	295
9.6	Characteristics of the structure of social relations	300
9.7	Integrating dimensions of social capital with the revised SoE	303
9.8	Influences upon situated logics	309

List of Tables

4.1	Fieldwork details	106
5.1	World Wine Trade Group positions	125
5.2	Changing positions of Australia and America	129
5.3	Grape production statistics for the UK	129
5.4	Economic impacts of Sonoma County grape and wine production	134
5.5	Sonoma County wine-related growth 2005-2006	134
5.6	Country demographics	137
5.7	Locality demographics	138
5.8	Comparative overview of cases	144
6.1	Mediators influencing the level of embeddedness of the family business in the community	158
6.2	Comparative summary of dominant exchanges in external relations	203
7.2	Mediators influencing exchanges of the family with employees	225

Chapter 1

Introduction

Purpose, Problem and Structure of the Thesis

1.1 Overview

This study examines the social relationships held by family owned businesses in order to develop our understanding of the impacts that relationships hold on the business activities of family firms and their ability to develop. Social relationships have been the subject of increasing attention from academics since the 1980s, not just in economics but increasingly in social sciences, challenging much of the existing thinking of management of firms (Katz and Shapiro 1985). More recently, there has been an attempt to cross-pollinate literature from industrial economics and social network theory in order to foster new insights into network perspectives (Suarez 2005). One of the novel ways in which this has been achieved is through the development of a conceptual 'Systems of Exchange' typology, differentiating exchanges on the basis of orientation to action and the structure of social relations (Biggart and Delbridge 2004). Yet, as with much of the research on networking activities, this framework remains conceptual and has, as of yet, lacked empirical application. There are further developments that could be made to this framework and these, along with other gaps in our knowledge of exchanges, are outlined in Chapter 2.

This case study research is set in the context of family owned firms that have diversified into winegrowing form other agricultural activities. It focuses on an in-depth assessment of three firms based in New World wine producing countries; America, Australia and the United Kingdom. This context was identified as appropriate for the study as social relationships are one way in which family firms are believed to be distinctive from corporate entities (Aronoff and Ward 1995; Hoffman et al 2006; Tagiuri and Davis 1992). However, as shall become apparent in Chapter 3, research about how small family owned businesses establish and maintain their networks are few and far between (Davis et al

2006), with only a handful of networking studies mentioning ownership as being an influence on network character (Hoang and Antoncic 2003). Further, the field of family business research is currently lacking strong integration with organisational theory and is argued to benefit from the empirical application of robust organisation theories (Bird et al 2002; Dyer 1994), particularly using qualitative methods of research (Aronoff and Ward 1996; Greve and Salaff 2003; Hoffman et al 2006; Tagiuri and Davis 1992). Case studies, involving methods of participant observation and interviewing techniques, were selected due to their ability to produce in-depth, rich empirical insights (Nordqvist and Melin 2002). These are methods that are cited as being especially useful for research areas that are at an early stage of investigation (Bryman 1989) as is the case in this research.

This chapter introduces the research study presented herein. Firstly, the purpose of the study is defined, including the research rationale and the problems that the research aims to address. Within this, the way in which the study aims to contribute to these areas of knowledge is set out. In this first section the theoretical models used in the research are outlined and the research objectives are initially set out. Secondly, the methodological design of the research is explained, including a justification of why the multi-method approach to the empirical study was adopted. Thirdly, the primary research outcomes are identified, explaining the contributions to theoretical knowledge that the study aims to make. Finally, the structure of the rest of the chapters in the thesis is provided.

1.2 Purpose of the Thesis and Research Objectives

The impetus for the study was two fold; firstly, the researcher held a desire to develop further her understanding of the nature of the family firm and one of the primary ways in which these firms are understood to be different is through the relations in which they engage (Aronoff and Ward 1995; Hoffman et al 2006; Tagiuri and Davis 1992). This led to an initial desire to explore the effects of the relationships in which these firms were embedded and how these relations impacted on the decision making outcomes of the firm. Simultaneously, an opportunity to develop the Systems of Exchange framework was presented. This was considered of interest because the framework developed further the

simplistic notion of exchanges as strong and weak ties but had not yet been applied to an empirical setting. This led to developing the study around the concepts of exchanges in family firms.

The study of social relations has been extended over the past two decades, from a study of the 'mapping' of networks into further explorations of the effects of social ties on business decisions. This concept is of importance as networks acknowledge that firms are not independent entities but have to interact with other organisations and individuals, by choice, enforcement or by proxy, to influence their business activity (Brito 2006). These relations are not limited to regulatory or strictly business ties but often involve personal and social interactions and can result in long lasting exchange relationships. Through a review of the literature in the area of tie dynamics, it is possible to see that frequency alone is not a good indicator of tie strength (Marsden and Campbell 1984). These relations are often built up over a period of time, involving sustained interaction and notions of reciprocity and are not always the result of business relations forming social aspects but may also be the result of social relations turning into business resources over time (Fuller and Lewis 2002). However, whilst social networks vary according to the different needs of the business at different points in time (Granovetter 1985), the dynamics of ties have received little attention in research thus far (Baker et al 1998).

This research acknowledges that the market is just one arena in which actors can conduct exchanges. In reality, the social structure of relations between actors dictates the necessity for the construction of a model that reflects these multiple systems of exchange. Further, this research conceives the family firm as an organisational form that spans across the traditional boundaries of the individual firm (Fuller and Lewis 2002). This is especially pertinent when considering the influence of kin relations in family firms, who may not work directly in the organisation but who may still exert considerable influence over business relationships and final decision-making outcomes. It is because of these factors that the Systems of Exchange framework, introduced by Biggart and Delbridge (2004), was identified as an appropriate theoretical tool within which to frame the study. This model allows the researcher to look at the entire portfolio of organisations' ties and is proposed to operate at all levels of analysis, hence providing a holistic tool within which to analyse ties. The Systems of Exchange framework (herein SoE) is aimed at distinguishing the

character of social relations in exchanges. Biggart and Delbridge (2004) draw on the work of Parsons (1968 [1937]) and distinguish exchanges as either 'universalistic' or 'particularistic' structures of social relations. In universalistic relations all partners are treated the same and most exchanges are conducted at arms length with little or no social element. Particularistic relationships are described as being those where the social character of the parties' relations is taken into account and high levels of reciprocity and shared understanding are anticipated. These particularistic exchanges share many traits with Granovetter's (1973) conception of strong ties but the SoE framework builds on Granovetter's seminal works by distinguishing particularistic ties between those based on instrumental rationality (means calculus) and those based on substantive rationality (calculus in relation to an end). As stated, this framework remains conceptual and the empirical application lends weight to a number of its assertions, as well as extensions being identified. These extensions include the need to reflect the dynamic nature of exchanges and the importance of reflecting the dimensions of social capital further within the different arenas of exchange.

More recent research thus recognises that it is not sufficient to simply look at an organisations' value chain to understand the impact of relationships on firm decision making, as many influential actors may not directly be involved in the production and trade processes (Brito 2006). This wide-ranging influence of external ties is increased for family owned firms due to the inextricably intertwined nature of the family, ownership and business systems (Gersick et al 1999). Moreover, the model leads to the acknowledgement of the significance of context in exchanges. Again, this is important as each firm faces a different set of network partners that result in unique patterns of influence (Rowley 1997). By empirically applying the SoE framework in this study, strength is added to the arguments that it presents and, further, a number of new extensions and elaborations are proposed to the model enabling us to distinguish further between the differing natures of relations in family firms. Thus both the conceptual world and the literature of family firms are foci for theory development.

The setting of the research is family owned firms that are involved in the agricultural business of winegrowing. Winegrowing was considered an appropriate setting as viticulture is being increasingly recognised as one of the

few ways of making farming viable business to pass onto the next generation (Wallop 2009). Grapes are now more profitable than most other crops in the countries involved in the study, particularly in the UK where the industry is now producing over three million bottles of wine, up from just a handful a decade ago. This growth stands in sharp contrast to the fortunes of the rest of the British agricultural and horticultural industry (Wallop 2009). Recent research identifies that family networks can contribute to the performance differential that is argued to exist between family and non family firms, however, little is known about the impetus for the exchanges of these relationships. Miller et al (2008) argue that given the economic significance of family firm participation in economies around the world it is essential that we learn more about their behaviour. Prior research has reflected the importance of improving understanding of the family firm by looking at relationships between the family and organisation in small business workplaces (for example Fletcher 2000; Kepner 1983; Wheelock 1991; Ram and Holliday 1993; Poutziouris and Chittenden 1996). A more in depth understanding of family business relationships will progress our knowledge of family businesses theory in a number of ways. Firstly, it highlights the effects of embeddedness of these firms' activities in a broader social context (Granovetter 1985; Grabher 1993). Secondly, prior research has reflected the importance of the complex, ambiguous and dynamic nature of the overlapping family-business, business-family relationship (Fletcher 2000), which can arguably hold both positive and negative consequences for the business activity of the firms (Gersick et al 1999), and yet, little is presently understood about how these overlapping systems impact on firm outcomes. Moreover, external relationships are argued to strongly influence the trajectory of an owner-managed business (Fuller and Lewis 2002). Therefore, understanding what relationships mean to the decision maker can inform or explain behaviour or actions that are subsequently undertaken.

It is due to the ability of the owner manager of the family firm to discriminate on the basis of particularistic criteria (Carney 2005), through the merging of ownership and control, that family firms are considered especially interesting upon which to base a study of exchanges. Complex patterns of social relations are particularly prevalent in these firms. However, although the dynamics of kin relations have frequently been explored, few studies have considered in-depth relationships that are held with others outside of the firm. Furthermore, the merit

of this study lies in its ability to examine the entire portfolio of the firms' interactions, it is not limited to the study of kin relations as most other studies have considered in isolation. With regards to the industrial setting of the study, farmers are usually excluded from small family business analysis even though they form a significant part of the population (Katila 2002). Farming has, however, undergone one of the most significant changes of any industry in the past two decades in all three countries that form part of the study and it represents a dynamic industry which is having to constantly re-invent itself in the face of increasing technological change and globalisation. It is particularly interesting in the context of family firms as rendering family labour is a matter of survival for the majority of farming families (Katila 2002). Moreover, in the context of this study, farmers are argued to be one of the most homogeneous groups (Katila 2002), which may facilitate the comparative element of the international study and help to identify and develop explanations where different characteristics of exchange exist.

The field of family firms therefore provides a particularly interesting empirical setting within which to ground the study. It is a progressing area of academic attention, although emerging research has only recently begun to centre on developing theoretical frameworks to be used in the field of family business research (Zahra and Sharma 2004). Of the few pieces of research concerning relationships in family firms there have been limited attempts at examining the nature of ties in relation to existing organisation theory, suggesting the need to further 'unpack' the nature of relations so as to provide empirical evidence that is able to contribute to theoretical development (Curran and Blackburn 1994:81). There have also been calls in the family business literature for more qualitative research to be carried out:

We would like to end by making a plea for more qualitative, inductive research that will stimulate further work by introducing new theoretical ideas. Such research is often too quickly dismissed because of concerns regarding generalisability and the criticism that it tends to be descriptive rather than predictive. Given the state of knowledge surrounding the early organizing process and the development of networks, we believe that the potential contributions of such studies far outweigh their limits.
(Hoang and Antoncic 2003:183)

Accepting this limitation, this research aims to address these methodological shortcomings, adopting a rigorously applied qualitative approach, which does not aim to make generalisations to populations but add to theoretical knowledge through rigorous analysis.

The integration of the shortcomings in current knowledge of family firms with the SoE theoretical framework led to the following research objectives being developed:

- 1) To consider the influence of active family members on the exchanges taking place in the firm.
- 2) To assess particularistic ties as the dominant form of exchange in these family firms and, further, to evaluate associative and communal exchanges in the cases studied.
- 3) To explore the effect of the local context on the tie portfolios that are identifiable in the organisations and to comparatively examine the consequences for the businesses of embeddedness in the local community.
- 4) To suggest, from observations and in depth conversations, the ways in which exchanges may develop and alter over time.

1.3 Methodology

The research objectives, as set out above, with their emphasis on 'exploring', 'considering' and 'identifying', lent themselves to inductive qualitative analysis, which is cited as useful in informing these types of in-depth 'how' and 'why' questions (Cepeda and Martin 2005; Saunders et al 2003; Silverman 2004). This approach was selected due to its emphasis on context (Cepeda and Martin 2005). Context emerged as critically important in understanding the orientation to actions of the firm, especially in the context of the agricultural industry. Qualitative research was also seen as advantageous due to its iterative nature, enabling constant comparisons and reflections between the data generated and the framework. The guiding philosophy for the research was critical realism. The combination of qualitative research with this philosophy was considered appropriate as it forces the researcher to be reflexive; a vital tool when the research aimed to see the world through the eyes of the people that formed a part of the study.

The research design of the study was international comparative case studies. Developing rich case studies enabled data to be interpreted in context and to understand the development of social relations in relation to theory. This design was seen as a more comprehensive and rigorous way of making sense of the complex information that would be generated as a result of exploring the nature of relationships. The comparative method was further selected due to its ability to produce rich empirical insights (Nordqvist and Melin 2002). This is viewed as particularly useful where research is at its early formative stage, in areas that are not well documented (Bryman 1989), as is clearly shown to be the case of investigating exchanges within family firms. Further, as the impetus for the research explained, the existing research on family businesses has made use of statistical survey data (Bird et al 2002) and there have been many calls for the increased use of more rigorous case study work to be carried out within this field (Bird et al 2002; Dyer and Sanchez 1998; Sharma 2004; Westhead and Cowling 1998).

The empirical stage of research utilised two methodologies, participant observation and interviewing. Participant observation allowed the gathering of first hand knowledge of specific phenomena or, in this case, a relationship. This method was selected due to the belief that only by being immersed in a research setting can you go any way towards understanding the subtleties and 'hidden' aspects of what is going on in that particular setting, and is especially advocated for studies that involve dealing with people in family run organisations (Kets de Vries 1996). Interviewing provided the verbal counterpart for participant observation. This method was selected due to the desire to gain actors' opinions and understand how people view the world in which they operate, their interpretations and perceptions (Corbetta 2003), allowing for a deeper explanation of meaning to be explored (Arksey and Knight 1999). Interviewing is a common method used in network studies due to the need to interview the different network members to determine the relevant aspects of relationships, which are very often context specific (Rowley 1997).

The data were coded and analysed thematically and through a process of iteration. The first stage of analysis concerned the empirical texts that were produced as a result of fieldwork observations and interviews conducted. Then these data were further conceptualised in relation to the SoE theoretical framework as selected for use in the study, representing a further level of

theoretical abstraction. In line with the critical realist philosophy, reflexivity was considered highly important throughout the research process, as will be further documented in Chapter 5 and throughout the discussion Chapters 6, 7 and 8. Whilst the notion of 'validity' was not considered an essential concept, it was still considered that data gathering and interpretation could be rigorous and robust. The robustness of theoretical generation has been improved by conducting multiple case studies and using a variety of data sources (as suggested by Adler and Adler 1998).

1.4 Research Outcomes

The research makes a number of findings that enable both empirical and conceptual contributions to be realised. Firstly, the data support the work of Biggart and Delbridge (2004) by demonstrating the applicability of the SoE framework to an empirical setting in terms of examining the nature of relations and structure of social relations, but makes further contributions by suggesting a number of extensions that would make enable further contributions to knowledge to be made; primarily in terms of reflecting the dynamic nature of ties and also for the model to take account of the potentially asymmetrical nature of relationships. In this regard, the study concludes exchanges in family firms are more likely to move from communal towards associative based systems of exchange within a particularistic orientation rather than the other way around, contrary to the findings of a significant amount of organisation theory literature (Oh et al 2004). Secondly, a contribution to knowledge is made by developing an extension to the SoE in terms of situating the framework. The data allow the development of a number of contextual factors being identified to explain the nature of relations that emerge, including practical, historical, social and emotional mediators of exchange relations. The dominance of practical influences, for example, suggest that the relationship is likely to be based on a market-based exchange system, whilst the dominance of emotional and historical influences suggest the orientation to the relationship is likely to be particularistic. These influences were found to be particularly important in the agricultural industry where the effect of the widely held communal values in the industry significantly impacted on the relations that were observed. This analysis leads to the presentation of a revised SoE framework to visually represent the supported elaborations. Throughout the analysis three concepts

became of primary importance for understanding the relationships that were observed; social capital, situated logics and dimensions of trust. In the final phase of the analysis these concepts are linked together in a new model to reflect a new understanding of family business relationships. For example, where the family are active in the business the family draws on logics that it is committed to. Trust is of an interpersonal nature and social capital is of a personal nature but, as the business grows, the family aim to employ more business logic with varying success and implications (as Chapter 8 identifies). The level of family involvement is found to be critical to understanding the nature of relations that emerge in these family firms; where family involvement is more active the higher the dominance of particularistic and communal based exchanges, leading to frequent tensions emerging between instrumental and substantive rationalities. This development is considered to be different than corporate firms and, by developing a new model of understanding, we may be able to apply a new level of understanding to other unique organisational forms.

1.5 Structure of the Thesis

Chapter 2

Our current understanding of network and exchange relations is reviewed in Chapter 2. It adopts a critical evaluative approach to such research findings. It is designed such that 'gaps' in our current understandings become apparent and lead to the development of research objectives at the end of Chapter 3. Building on the foundations of theory introduced by Granovetter (1973) and the concept of strong and weak ties, the review turns to the more recent SoE framework developed by Biggart and Delbridge (2004). This conceptual typology distinguishes between exchanges on the structure of social relations and the basis of action. The review assesses the key concepts and constructs of the SoE framework before suggesting a number of ways in which the model could be extended and refined. Propositions presented for developing the framework include; the need to represent dynamic ability of ties, the need to test the assumption that all levels of analysis can be reflected in empirical application, and expanding the notions of social capital and trust to reflect how they may be identified in each exchange arena. Suggestions are made with regards to what the anticipated findings are in terms of each extension proposed.

Chapter 3

The second of the two critical literature evaluations and is based on family business research. Previous research has reflected the importance of improving our understanding of the family firm by looking at relationships in which the family are engaged (Fletcher 2000; Kepner 1983; Poutziouris and Chittenden 1996; Ram and Holliday 1993; Wheelock 1991). It is due to factors such as the divergent and overlapping nature of relationships between businesses and family, that family firms are considered an interesting context within which to examine exchange relations. This chapter anticipates the way in which the SoE framework and family business research may contribute to our understanding of family firms whilst concurrently developing the SoE itself. Four key areas in understanding of family business relationships are identified as requiring further attention. Firstly, the dominant orientation to action in family owned firms is not fully understood. Secondly, the nature of institutional logics in family firms requires further attention (Friedland and Alford 1991; Greve and Salaff 2003). Thirdly, families typically exhibit high levels of trust (Anderson et al 2005) but beyond this very little is known about in what exchange arenas this trust may remain prevalent for family firms. Fourthly, methodological shortcomings are identified such as the lack of rigorous case research. Finally, the potential contributions and research objectives of the study are set out.

Chapter 4

Subsequent to the research questions being identified, Chapter 4 outlines the methodology that was employed in the research, justifying why a case study approach was adopted and how this was consistent for the critical realist philosophy which guided the study. The chapter then turns to consider why participant observation and interviewing methods were utilised, providing explanations of both the characteristics of both methods and the identification of the schedules used during the interviewing process. At this point, appropriate justifications for the inclusion of the case study firms are provided. The chapter outlines how access was negotiated with the three companies and how the snowballing of interviews developed once in the field. Following this, the chapter states how the data were analysed through a process of iteration and constant reflection. The latter part of the chapter explores the notions of validity and reliability of the research. The framework of Guba and Lincoln (1985) of 'trustworthiness and authenticity' is identified as being applicable to the of qualitative research that is employed in the study. Finally, the chapter turns to

the consideration of ethical issues that were significant in the research and how the researcher dealt with these concerns.

Chapter 5

The context of the study in terms of the current and developing situation of agriculture is set out in Chapter 5. It explains the movement towards winegrowing as a diversification strategy worldwide, a process which has enabled farmers to retain control of their land without the need to go 'outside' to supplement their income. This industry context is considered critical in developing an understanding as to why phenomena may be identifiable during periods of observation and to develop knowledge of culturally determined differences in attitudes and perceptions across countries studied. The chapter outlines the current position of the wine industry in each of these countries and shows how the new world wine industry is rapidly expanding. In all three family firms that formed the case studies, the move towards winegrowing had been as a result of diversification and all had joined an upward trend in each of their respective areas so growth in this context was considered important to comprehend. Following this discussion, each of the local areas that were part of the study is introduced in turn. This is so that differences as well as similarities can be acknowledged, which is especially important in considering research objective three; to explore the effect of local contexts on tie portfolios. This chapter then provides the initial introduction to the three firms that formed the focus of the research. Firstly, the key characteristics of each of the firms are compared and, following this, an organisational chart for each firm is provided along with a brief history of the firm and the identification of pertinent issues that the firms were facing at the time the research was conducted.

Chapter 6

There are three data discussion chapters presented in the thesis. The first of these explores issues raised into relationships that were held with actors outside the traditional boundary of the firm. These include relationships that were held with the local communities, suppliers, buyers, custom crush clients, associations and competitors. The data pertains largely to research question one, to consider the influence of family involvement on the relationships observed, and research question three, to explore the effect of the local context and to examine the consequences of being embedded in the local community. Further knowledge is added to research question two which was to assess whether or

not particularistic ties are the dominant forms of exchange in each of the cases. It was found, that the blend of transactions varied greatly depending on the nature of the families involved and their dominant orientation to decision-making. The orientation that emerged was found to be highly influenced by the underlying logic of action; family or corporate. This was linked to the level of involvement of the family, which was also observed to have significant effects over the nature of relations that emerged. Where a higher level of substantive rationality was involved there was a higher level of involvement from the owning family. However, this was mediated by practical factors such as geographical situation, along with other factors. The chapter concludes that there were many instances of business internalising ties over time, demonstrating that a grey area exists between internal and external relations and cannot always be categorised into one of the two.

Chapter 7

The second of the data based chapters, Chapter 7, considers relationships that were internal to the firms, particularly considering the impact of family involvement on employment relations. The SoE framework allows the framing of relationships within the firm, not assuming that relationships have to be homogeneous. The data contributes largely to research question one, to understand how the family affects the relationships that exist within the firm. Features that emerged as important mediators of exchange relations in the analysis of external ties are once again seen to be influential in the internal exchanges that were observed. The chapter uses data to demonstrate how the interaction of the employees with the owning family helps to explain how the relationship between the two groups developed. In the second part of the chapter internal ties are discussed in terms of positive effects and drawbacks that the involvement of the family held for the non-family employees in the firm. Finally, other effects of internal ties are detailed, including gendered roles that became apparent throughout the study of the organisations.

Chapter 8

The final of the data chapters, Chapter 8, further extends the discussion of the findings of the research. It discusses the dynamics of ties in relation to the growth capabilities of the firms. It establishes that there are clear contradictions between the rational desires and constant deliberation of each family to grow and the actions that they undertook. This was shown to affect the orientation to

action of the owner managers. Here, the personality of the owner managers, along with the history and experience of those individuals, was a significantly influential factor in orientation to action. The multiple and often conflicting objectives of the firms, in particular the intrinsic need to retain control and the particularistic selection criteria, resulted in the tensions of substantive and instrumental orientations to action. The development of the firms began to influence the move towards higher levels of instrumentally rational exchanges being established, resulting in a situation of trade-off's between benefiting from the effects of social capital and having this capital stifling growth. The data presented in this chapter adds significantly to our knowledge of the development of ties over time, suggesting that it is not only ties that affect the growth abilities of the firm but that growth affects the relationships that emerge.

Chapter 9

Chapter 9 develops the analysis of the data, linking the data findings to the wider level of organisation theory. The chapter aims to add to knowledge by developing a number of theoretical frameworks, supported by empirical data findings. As set out in section 1.5 of this chapter, the analysis leads to three primary contributions being set out. Chapter 9 is structured in three parts to follow these areas of contribution; firstly, the analysis considers the applicability of empirical data to the current SoE framework. It is found that the nature of relations and levels of analysis do provide empirical applicability but that, in order to improve our understanding of relationships, a number of refinements and extensions to the framework must be made. These include the need of the framework to reflect the dynamic and possible asymmetric nature of exchanges. Part two of the chapter develops a further extension with regards to situating the SoE framework. It suggests that the nature of relations cannot be understood without considering the mediators of exchange relations. These are not limited to the influence of historical factors but include social, practical and emotional factors too. Following this a revised SoE framework is set out. The third, and final, part of the chapter develops a new understanding of family firm exchange relations, linking the concepts of social capital, the development of situated logics, and trust. This new understanding reflects the assertion that firms under this form of ownership must not be considered in one generic band but the level of influence of the family in the business is key on the decision making outcomes that emerge.

Chapter 10

The final chapter, Chapter 10, concludes the thesis. The first part of the chapter provides a summary of the thesis, including an outline of each of the research questions, how these were approached and the contributions that were made as a result of these investigations. As the chapter progresses, reflections are made on the research questions and the approaches that were made in the study and suggestions are made as to how the project could have been conducted differently, acknowledging the limitations. Leading on from this, possible future extensions to the study are identified in both the areas of family business theory and of the analysis of relationship developments in these firms. Suggestions are made as to the applicability of the newly proposed model to other types of firms in order to develop this conceptual model further. Additional extensions for the research are proposed within the wider area of agriculture and relating this to a comparison of family to non-family firms. Finally, the implications for policy and practice are discussed.

1.6 Conclusion

This chapter has provided an introduction to the area of study, how the research objectives were derived, what methodologies were used to explore these areas and how these were used to arrive at the findings drawn. The above has also drawn an initial outline of the structure, chapter by chapter, of the following thesis. An in-depth critical literature evaluation is provided in the following two chapters in order to demonstrate to the reader how the research objectives were established and the present shortcomings in understanding what the thesis attempts to build upon.

Chapter 2

Exchange Relations, Network Ties and Social Capital

2.1 Introduction

One of the key questions in organisation theory is how the behaviours of organisations are affected by social relations (Granovetter 1985). Social networks have been the subject of increasing research attention. In this approach organisations' attributes and behaviours can be understood in terms of patterns of ties among individuals and organisations: social relations are primary, while atomistic attributes are secondary. Such relational analysis comes in two strands: macro and micro (Haveman and Khaire 2006). Thus far, research within the network domain has largely been on the macro level, paying attention to the correlation between business relationships and the economic performance of firms (e.g. Anderson et al 2005), whilst less attention has been paid to the specific characteristics of these relationship exchanges. Of the research that has explored more micro level network relations, much of it is based around the notions of strong and weak ties as introduced by Granovetter (1973). Building upon Granovetter's highly influential but nonetheless self-professed first-step in linking micro level interactions to macro level patterns of exchange, authors such as Burt (1992) and Biggart and Delbridge (2004) have sought to further elaborate upon the concept of tie strength and examine the interrelations that exist amongst actors. Further, whilst many studies have considered the structure of formal networks, few have gathered data to examine the mechanisms and motivation through which more informal links are established. It is therefore argued that deeper investigation into the influence of social capital within these exchanges is required.

As a result of these limitations research has begun to look at different, more in depth ways of explaining the phenomenon of network exchanges. But, as of yet, this mostly lacks empirical application, a commonly cited criticism of network theory in general (Johannisson 1987a). The Systems of Exchange typology (herein SoE), developed by Biggart and Delbridge (2004), provides a

more holistic view of exchanges, progressing beyond the dichotomy presented by Granovetter (1973) of strong and weak ties. The typology is based on the concepts of Parsons (1968 [1937]) of universalistic and particularistic criteria, and Weber's (1978) theory of instrumental and substantive rationalities forming the basis of action to any given exchange. These exchanges are assumed to apply at all levels of analysis, from the level of the individual through to inter-organisational exchanges.

In this chapter the Systems of Exchange framework, a key conceptual tool for the study, is reviewed. Its key constructs are explained and the typology is critically reviewed in order to assess possibilities for its future application and expansion. A number of opportunities are identified. First, other research shows that due to the influence of context and, in particular, historical context, the dynamic ability of ties must be better reflected within such a framework. Secondly, whilst the model assumes to operate at different levels of analysis, the SoE framework is, at present, a conceptual tool and therefore empirical application of the model is required to elaborate *how* it is applicable at all levels. Thirdly, more detailed analysis of the linkages that exist between each of the levels is also required. Furthermore, it will be argued that whilst the model acknowledges the presence of social capital and trust in exchanges, at present it does not move far enough towards distinguishing between the types of social capital and trust that may be prevalent in each exchange system. These concepts can, therefore, be explored in more depth to extend and develop the model. Suggestions are made as to what findings are anticipated in regard to all these extensions. The review is designed such that 'gaps' in our current comprehension of specific subjects will become apparent and lead to the development of the research questions, as outlined at the end of the following chapter that considers the setting of the research, family firms.

2.2 Markets, Hierarchies and Networks

Traditional economic thinking led us to believe that there were just two types of regulation of relations; markets and hierarchies (Coase 1937; Williamson 1975). Markets are arranged to coordinate the actions of large numbers of people on a lateral basis through the operation of the price mechanism. Hierarchies by contrast, coordinate action vertically via the structure of consciously exercised

authority and compulsion (Beetham 1993). The characterising feature of neoclassical economics was its conceptualisation of the market as a series of perfect assumptions that result, ultimately, in perfect competition. Market transactions consist of contractual relationships where each party is bound to deliver on that which is specified in their contract. This view has, however, been increasingly challenged. Criticisms of the market model include the fact that it does not allow for any bargaining, negotiation or adjustment to occur, neither is there room for any recurrent relationships (Lorenz 1993). This conception of the market has been proven to be a highly restricted view, as many studies have shown that business transactions may involve many instances of continuing exchanges and negotiation (Hirschman 1982).

Powell (1990) offered an alternative to the market/hierarchies dichotomy, introducing the concept of the network organisation. In this form of organising networks are based on trust, socialisation and group norms and not simply governed under contracts but also the rules of reciprocity. Granovetter (1985) further criticises these utilitarian, classical and neoclassical views for providing an 'undersocialised' account of actions in social relations as they do not allow for social structure to influence production or consumption: 'the behaviour of institutions [to be analysed] are so constrained by ongoing social relations that to construe them as independent is a grievous misunderstanding' (Granovetter 1985:482). In contrast to the individualistic explanations of markets, hierarchies and, arguably, clans, network analysis examines the contents of social relations within which actors participate and make behavioural decisions: 'the organization of social relations [thus] becomes a central concept in analysing the structural properties of the networks within which individual actors are embedded, and for detecting emergent social phenomena that have no existence at the level of the individual actor' (Knoke and Kuklinski 1993:173). Powell's (1990) characterisation of exchanges is significant, as it indicates that patterns of exchange may be represented in one holistic framework, ranging from more market orientated forms to those exchanges that represent network forms of organisation.

This is not to say that networks are a new form of organisation, simply that studying them is relatively new (Granovetter 1985). Granovetter's (1973) work on the strength of weak ties, and subsequent theories on embeddedness of network relations, was a significant step in encouraging more researchers to

examine the way in which social relations affect business outcomes. He believed that transactions are rife with social connections but, importantly, that social relations within the firm may be longer lasting and more dense than those relations that existed between firms and hence demonstrated that linking interactions is of central importance to the development of sociological theories. The concept of strong and weak ties were of central importance to this development as exchanges were conceptualised as ties and not choices. Strong ties were deemed to be those that involved high frequency interactions in addition to high levels of social relationships and reciprocity (Granovetter 1973) whereas weak ties involved less frequent interaction and either did not feature at all, or not significantly, a social element. Weak ties were proposed to be more instrumental than strong ties, providing information services as opposed to support and advice (Wellman 1992). By highlighting the importance of weak ties Granovetter sought to demonstrate the high impact of small-scale interaction on the macro dynamics of the network and to show that weak ties were therefore important to understanding the impact of a network as a whole. This laid the foundations for much research that has emanated in the area of network research since, for example, the developments made by theorists such as Burt (1992), Uzzi (1997) and more recently, Steier and Greenwood who conceptualise the 'robustness' of ties.

More recently, changes in the regulatory laws in the US and UK have increasingly allowed firms to engage in cooperative activities with their consumers (Podolny and Page 1998) and therefore opportunities for networking, that would not have been possible before, are increasing. Motivations to study networks are therefore partly due to practical changes, partly due to empirical motivations (such as the increasing interest in Japanese firms which were shown to have developed unique networking forms) and partly theoretical, challenging existing economic thinking (Granovetter 1985; Podolny and Page 1998). Firstly, as cited in the above, networks have largely been conceived as formal relationships in research when, in actual fact, networks coordinate through less formal, more cooperative means than markets or hierarchies (Thompson et al 1993). This is argued to have resulted in hesitancy about how they work and their impact (Frances et al 1993). These authors cite the example of the Mafia as being one example of an informal but perfect network structure: 'It relies upon informality, clan and a kin loyalty; it is far from open; and has its own secret system of rewards and punishments which is quite clearly

corrupt in many respects. Interestingly, corruption can be one of the most potent and successful coordinating mechanisms in many societies, if a rather debilitating one' (Frances et al 1993:14). This example also represents a clear illustration of the significance of power relations that exist in networking relationships. This is not to say, however, that all networks are devious, they can help coordinate economic life. Nevertheless it does highlight the drawbacks of studies that do not consider the informal structures in their analysis of networks. One way in which the work of Granovetter (1973) can be built upon is via examination of these 'negative' network relations as this is something that his research into the strength of weak ties did not consider. In addition to this, other concerns of network research thus far are that much of it has looked at the dynamics between two dyadic partners as opposed to accepting that ties are multiplex. This is a vast simplification of many network operations and promotes a distorted, mechanistic view of the situation in which the firm is embedded. Further, much network analysis research to date has been quantitative and there have been many calls for qualitative research to be carried out into examining relationships to increase our understanding of exchanges that are observed (Hill et al 1999).

It becomes clear therefore, that a more holistic framework is required to evaluate the multiple characteristics of ties to formulate a more comprehensive analysis of an organisation's portfolio of relationships. The SoE framework is an example of a more inclusive tool that is appropriate to conduct analysis in this regard.

2.3 Systems of Exchange Typology

Despite new conceptualisations of network exchanges moving beyond the dichotomy of strong and weak ties, as yet the objective to fully comprehend network exchanges has only partially been achieved (Uzzi 1996). Biggart and Delbridge (2004) believe that, despite the rejection of the notion of markets conforming to the economist ideal, it remains a useful benchmark on which to compare empirical and logically derived instances of the market. Previously, deviations from the ideal would be conceptualised as being imperfect however, as discussed, the market is constituted by social relations, with economic action embedded in these various social relations. Thus the market is not simply a

collection of rational individuals. In the SoE framework the market is just one arena for exchange, there are many different types of exchange that support differing orientations to action. 'The term 'system', suggests elements of each type of exchange arena as stable, loosely coupled, and interdependent arrangements that combine to produce a distinctive social and economic world' (Biggart and Delbridge 2004:29). The integration of such economic and social theories into one framework is a novel contribution in the literature. It can be argued to compensate for many of the criticisms that have been found in the literature thus far, for example it counters Granovetter's (1985) concerns about network analysis simply taking under socialised or over socialised accounts of action, as both market and highly social exchanges are accounted for in one framework. Further, it allows for a clearer exposition of a 'set' of network relations, facilitating comparisons that have not been possible to make with former theoretical models and is an important step in furthering understanding of social relations as Granovetter (1973) calls for.

Biggart and Delbridge (2004) consider a weakness of the early work on social relations, such as that of Granovetter (1973), for failing to consider that beliefs and culture are central to understanding markets. This is said to have led to early social networking studies assuming that it is the structure of ties and not the content that affects the outcomes. This work does not acknowledge that different cultures can produce and inform different types of structures and hence, whilst the significance of interrelations are acknowledged, the possibility of varying cultures or logics of action in which actors may be embedded is dismissed (Biggart and Delbridge 2004). It is argued that there are three ways in which culture can affect economic behaviour; firstly by influencing how actors define their interests, secondly by constraining efforts on their own behalf, and thirdly by shaping a group's capacity to mobilise (DiMaggio and Zukin 1990). This is a highly significant factor for this study, which takes an international comparative form. It is necessary to utilise a framework that encompasses the possibilities for different cultures to be allowed for in terms of variance at all levels, but that can still be compared to one another in a manner that is useful for data analysis. It therefore progresses the work of Granovetter (1973,1985) by integrating the analysis of the structure of social relations with exploration on the basis of logics.

Any model, Biggart and Delbridge (2004) argue, must take into account the notion that different people have different understandings of rationality at different times and in different situations. For example, whilst in one situation selecting the supplier with the lowest price may be instrumentally rational, in other situations the social connections held with another supplier may mean that they are selected. Whilst this may not be considered rational in the traditional sense, it is rational for that actor as they may already have a repertoire with that supplier from another social sphere and they want to support their friend in their business. This may be especially prevalent in family firms where many stakeholders are kin relations (Hite 2005). This contention is further anticipated in Chapter 3. Furthermore, social structures of the exchange settings are formed and institutionally shaped by the specific context (Granovetter 1985). This is significant because what constitutes rational action can, in practice, vary across different exchange arenas (Biggart and Delbridge 2004).

The SoE framework recognises that economic, social and cultural concepts form an important part of our understanding of exchange relationships. Each exchange arena constitutes socially different economic systems and may differ qualitatively:

Systems of exchange are composed of elements related synergistically in economic processes of a discernible type. While elements can be examined independently as units of analysis, they are organised in ways distinctive to each system and they include an interpretive schema that explains and justifies arrangements..... Therefore system elements are more than the sum of constituent parts and complementarities is among them.

(Biggart and Delbridge 2004:31)

These authors use Weber's notion of exchange, where exchange is 'a voluntary arrangement involving the offer of any sort of present, continuing or future utility in exchange for utilities of any sort offered in return' (Weber 1978:72-73). This concept shares similarities to the concept of embeddedness developed by Granovetter (1985). Each exchange arena may be combined and is subject to organising, rationalising, and institutionalising (Biggart and Delbridge 2004). Two types of rationality are distinguished in the framework, instrumental rationality and substantive rationality. Instrumental rationality 'is determined by expectations as to the behaviour of objects in the environment and of other

human beings; these expectations are 'conditions' or 'means' to the attainment of the actor's own rationally pursued and calculated ends' (Weber 1978:24). An action is deemed instrumentally rational when an actor aims to consider all possibilities and alternative means, usually via quantitative analysis or accounting (Biggart and Delbridge 2004). In this rationality actors are guided by goals, which can be considered as alternatives, and are often concerned with profit maximisation and cost minimisation, as in the neoclassical market model. Instrumental rationality is assumed by economists to be universalistic in orientation, however, as Frank (1987) demonstrates, this is not always the case. Substantive rationality is orientated towards values and is guided by consequences. This type of rationality can employ reason and calculation but a substantive or ethical good is at its base. It is predictable, and therefore rational, however it may not follow the same 'procedural rigour' of instrumental rationality and actors may feel morally or emotionally bound to pursue the substantive goal. The probability of success is not considered critical (Biggart and Delbridge 2004).

This distinction demonstrates that it would not be appropriate for researchers to assume the rationale for entering an exchange was the same for all partners within an actors' network. Johannisson (1987a) introduced the concept of 'irrationality' as featuring highly in the establishment of personal networks. He defines irrationality as not economically rational. However, 'irrationality' implies that these motivations are somehow illogical and not well thought out. This notion is rejected as simplistic and misleading, substantive rationality is a more appropriate term for actions guided by values and consequences. This concept is important, however, as these personal 'irrational' networks are found to be highly influential in family firms and, therefore, these suggestions must be taken forward to the empirical stage of the study. It may be proposed from this review, that substantive relations may feature significantly in family firms, perhaps particularly for those embedded in their local communities as suggested by Kanter (1972). It is because of this acknowledgement of multiple exchange systems, allowing for both instrumental and substantive basis of economic action, that it is not just the relation itself that is observed, or its impact, in analysis but the motivation for and behind the action can be further understood.

Biggart and Delbridge (2004) believe that in the past the majority of research has focused on instrumental rationality and essentially has overlooked other

forms of rationality that may be present in exchanges. This is a significant omission in both empirical and conceptual research as there is 'ample evidence that actors use substantive rather than instrumental rationality in some transactions and that these are not merely imperfections, residual categories or transitional institutions' (Biggart and Delbridge 2004: 39). This contribution of the framework is significant in this regard; the arguments are persuasive and based on rigorous, empirically derived, theory however, at this stage the integration of these competing rationalities with the orientations to action remains conceptual. It will be important to apply these concepts to an empirical setting if we are to understand further the nature of such competing rationalities, particularly in the case of substantive rationalities where little is known about the characteristics of such exchanges.

Acknowledging that Polanyi's (1957) conception of embedded social relations was highly significant in the nature of relationships, Biggart and Delbridge (2004) integrate this notion into the second dimension of their framework. They refer to the work of Parsons (1968) and his proposition of two fundamentally different orientations to others in society; universalism and particularism. Before people exchange with others they must decide whether to judge a person by general or unique criteria to the individual actor. Parsons describes universalism as where individuals or corporate actors are all treated the same. Equal treatment can be due to indifference or corporate regulations, or law that may regulate social relations and demand everybody receives the same treatment. This means exchanges are conducted at arm's length. It does not mean, however, that exchanges can not still be social as even at arm's length exchanges can still take into account the actions of others and social conventions (Biggart and Delbridge 2004). Particularistic criteria, on the other hand, demand that actors 'orientate themselves preferentially to those within the structure of relations in which they are embedded – e.g. a family, an association – and treat those outside their group affiliation differently' (Biggart and Delbridge 2004:36). Powell (1990) notes that particularistic relations are most likely found in exchanges where commodity value is immeasurable, such as information or knowledge, which cannot easily be traded in markets or communicated in hierarchies. These relationships can also be said to include dependencies and result in repeated exchanges that may, or may not be, positive. The systems of exchange model is represented here:

Figure 2.1: Systems of Exchange: Biggart and Delbridge (2004)

		Structure of Social relations	
		UNIVERSALISTIC	PARTICULARISTIC
B a s i s o f a c t i o n	INSTRUMENTAL RATIONALITY (means calculus)	Price System <i>Motivated by profit maximisation Interests in efficiency Motivated by self interest</i>	Associative System <i>Voluntary arrangements of mutual gain System based on reciprocity and governed by social ties</i>
	SUBSTANTIVE RATIONALITY (calculus in relation to an end)	Moral System <i>A shared belief in values Actions orientated to putting in place a value Guided by moral codes</i>	Communal System <i>Actors share an identity or other bond Guided by 'shared norms'</i>

Price-based system: Here, exchanges are based on price (or quality as a proxy for price). Actors enter these markets assuming that the objective of other actors is also minimum cost. As in the economic market system, individuals are motivated by self-interest and unaffected by moral considerations. In its purest form a price system may be exhibited in, for example, an auction. This system serves as an intellectual basis for Anglo American-style economies (Biggart and Delbridge 2004). As was argued earlier in the critique of the market-based system, authors have noted that even a minimum form of trust is required for these exchanges to take place and therefore even 'pure' exchanges can be influenced by social relations.

Associative system: This system assumes that actors work with one another to pursue economic ends. Mutual support and reciprocity, as opposed to self-interest, is thought to result in the best outcome for parties. Alliances are a typical type of associative system. Actors in business networks may compete based on price, not as individuals but rather as allies in competition with other actors. This conceptualisation includes vertical and horizontal networks. Often,

horizontal networks are based on a common social identity such as ethnicity (Hamilton 1997), religion (Uzzi 1997) or industrial sector (Piore and Sabel 1984). Alliances based on ethnicity can also be described as a communal exchange as in this instance social relations may have a value that shapes the economic relationship (Biggart and Delbridge 2004).

Moral system: The authors argue that all systems have moral dimensions, however in the moral exchange arena there is a belief in a substantive good or value. Actions are orientated towards putting in place a value and actions are bounded by moral codes. Voluntary codes of conduct represent an example of the institutionalisation of a morally based system (Biggart and Delbridge 2004).

Communal system: In the communal system of exchange the nature and basis of a relationship will influence the terms of exchange, including whether or not the exchange takes place and the price that it takes place at. Despite both communal and associative systems being based on particularism, the communal system entails a sense of belonging whereas the associative system has more to do with rational agreement involving interests (Swedberg 1998). In communal relations actors share an identity in a community or have some basis for a shared bond. It can take place between those who share a tie such as friendship, affiliation, or professional or regional identity (Biggart and Delbridge 2004). This is what Ouchi (1980) referred to as a clan. Here, members of groups are preferentially treated and outsiders may be entirely rejected:

The basis of the exchange is often dictated by the customary rules of participation established by the group..... The rules are rooted in the substantive rationality that forms the basis of the relations between the parties.

(Biggart and Delbridge 2004:41)

In many cases communal exchanges are exchanges in kind, for example, an exchange of professional services. Whilst remaining analytically distinct, communal and associative systems often combined in practice for example, kinship ties that are used as the basis for forming associative economic relations (Biggart and Delbridge 2004).

The SoE framework has clear foundations in the work of Granovetter, building on, and integrating, his conceptions of strong and weak ties; strong ties exist in the form of particularistic relationships where exchange is governed by some form of reciprocity. A high level of embeddedness is likely as is frequent exchange and a long temporal aspect to the relationship is expected. Weak ties are represented by actors exhibiting a universalistic orientation where each is self-interested and relationships may be short term and infrequent in nature (although this is the norm not the rule). Building on the theory of Granovetter, Biggart and Delbridge (2004) do not require exchanges to always be 'positive and symmetric' as in the analysis of Granovetter (1973) but the SoE allows for the assessment of perhaps 'negative' relations at all levels.

2.4 Extending the Systems of Exchange Framework

The merit of the SoE typology lies in its ability to examine differing contexts of behaviour and is thus more explanatory and holistic than previous studies. From reviewing the theoretical arguments, it is suggested that there are a number of ways in which the framework would benefit from being developed to increase our knowledge of exchange relationships. Firstly, the typology appears static and cross sectional with scope for elaboration through a discussion of how different relationships develop to become more particularistic. Secondly, whilst context is mentioned as a key feature of exchanges in the typology historical context is, in particular, suggested by this author to be highly influential in the development of exchange relations. Therefore, if the dynamic nature of ties is to be conceptualised further the influence of context must be clarified. Thirdly, whilst the framework is assumed to operate at all levels of analysis this contention remains conceptual, empirical analysis would add weight to this proposition. Further, the SoE framework does not currently make links between the different levels. If suggestions were made as to the links and influences that exist between levels then the framework would become more holistic for analysis. Finally, the concepts of social capital and trust are treated as one in the framework. Therefore, whilst trust is seen as an integral part of social capital there remains scope for empirical extension of both concepts in the types and levels of both social capital and trust that may be present under each arena of exchange. Each of these suggested areas of elaboration will now be justified in turn.

2.4.1 Dynamics of Ties

Whilst it is recognised that social networks are not fixed but vary according to the different needs of the business at different points in time (Granovetter 1995), the dynamics of inter-organisational ties have received little attention in network research thus far (Baker et al 1998). A number of commentators have begun to communicate the importance of the evolving nature of exchange relationships (Larson and Starr 1993; Ring and Van de Ven 1994) and a number of suggestions have been made as to their development patterns. For example, there has been a large debate concerning frequency of interaction as an indicator of tie strength. Although early works cited higher interaction as being an indicator of a strong tie, it is now accepted that frequency is not an adequate indicator of tie strength (Marsden and Campbell 1984) as it is possible that a tie can remain inactive for long periods of time but not lose tie strength. Intense interaction does provide the opportunity for exchange to increase, however this does not mean that these partners will develop closer relations. Furthermore, arm's length relationships can be represented by frequent exchanges but with no social interaction and hence a universalistic orientation will remain (Mariotti and Delbridge 2007). Whilst Biggart and Delbridge (2004) acknowledge the systems are subject to change over time, there is little explanation provided in the SoE framework of how or in what direction these developments will take place. It is therefore necessary for the SoE to be extended in terms of its understanding of the dynamics of ties and to propose the ways that exchanges may evolve into other arenas according to their circumstances. A more differentiated understanding of ties such as that provided in the SoE model would enable greater conceptual clarity of the development of exchange dynamics.

The model acknowledges that different people will be differently motivated to trade, with institutional logics varying qualitatively in each system. (The concept of logics is explored further in Chapter 3). The structure of trading and networks is expected to vary dramatically in each arena. When an exchange partner does not act as predicted they breach the norms of the exchange and may be sanctioned for this. In associative and communal systems, social relations are expected to play a role in trading, and actors failing to acknowledge these relations may breach the norms, for example; insider trading is normative in

family networks and failing to favour friends and allies and may breach norms (Biggart and Delbridge 2004). In reality, the authors acknowledge that systems of exchange may be mixed and have elements of more than one type, although attention is not paid to what instances this may occur under. In the context of this case one would expect family businesses to exhibit high levels of communal exchanges in the form of kinship but also other forms of particularistic exchanges relating to their business network of stakeholders. What the authors fail to elaborate upon in their description of their framework is what conditions must be satisfied in order for exchange to take place in different exchange arenas.

A few authors have attempted to establish some kind of framework in this regard, for example; network theory adopts a structural perspective on social life that emphasises that a workers' structural location can determine a composition of their network (Ibarra 1993; McGuire 2000). Nahapiet and Ghoshal (1998) discuss four conditions that must be satisfied in order for exchange to take place; firstly that the opportunity exists, secondly, that parties must avail themselves to the opportunities that may exist to exchange and anticipate whether interaction will prove worthwhile, and, thirdly, where exchange opportunities exist that people anticipate that value may be created in the knowledge exchange. Finally, the capability to combine information or experience must exist. Despite the SoE framework acknowledging that different exchanges will involve different impetuses it does not describe any conditions that must be satisfied in order for exchange to occur. Here, Nahapiet and Ghoshal's (1998) analogy may be useful but currently their framework suggests generic conditions for all exchanges when, in fact, it is anticipated that different conditions may be more important to satisfy in different exchange arenas. This literature highlights that there are important influences upon exchange that happen before exchange arenas are entered into and the SoE model has yet to address these issues.

Research has shown that the longer the exchange relationship continues, the more likely it is that the relationship will survive (Baker et al 1998; Burt 2000). However, again this is a contested concept, as Larson (1992) concludes, long term relationships are not linear and in fact may come to an end as, he finds, all ties are inherently vulnerable. Marsden and Campbell (1984) agree with this assertion. To demonstrate this, Ring and Van de Ven (1994) find that a reliance

on formal procedures, combined with weak social relations may undermine the viability of relationships. It is also argued that changes in environmental conditions may also cause relationships to dissolve (Mariotti and Delbridge 2007). At present, little is known about relationship decay, however, of the little theory that has been proposed, Burt (1999) suggests that strong relationships will decay slowly although they may also go through a stage of latency but such latency may be temporary, although the longer it persists the further it will erode embeddedness. This research shows that, despite conventional wisdom suggesting to the contrary, ties do not necessarily become stronger over time but may in fact become weaker (Mariotti and Delbridge 2007). But, as Larson (1992), and later Uzzi (1996) contend, when firms are linked through embedded ties these firms are more likely to work through their problems and also to innovate than they are to exit a relationship. Firms are found to be more likely to exit a relationship when problems arise if relations are conducted at arms length and are universalistic in orientation.

Other qualitative research has suggested that as a social tie strengthens, the relationship develops from a solely instrumental orientation to having more expressive or affective elements, which creates the opportunity for members of the relationship to transmit a greater variety of resources (Oh et al 2004:862). In terms of the SoE framework this would suggest that actions become more substantial in nature and particularistic in orientation as social ties develop into business resources over time. This analogy will be interesting to explore, particularly in the case of family firms where it has been demonstrated that prior social ties are strongly influential in periods of start up and growth (Greve and Salaff 2003; Hite 2005). Of course, business ties can increase in social content too. Oh et al (2004) cite the importance of these ties that begin as work related ties and then expand into a relationship that exists outside the physical boundaries of the work organisation. They term these 'informal socialising relationships' where resources that were previously exchanged in the relationship may alter, for example, using Podolny and Baron's (1997) typology where ties that were work flow related they may become task-related. In this sense members may increase trust in their exchange and invest greater time in their relationship. This not only demonstrates that ties may be multidisciplinary but also highlights that the informal aspects of relationships are highly important to consider in any network analysis. These studies demonstrate, therefore, that ties do not necessarily move in one direction or the other, but both. One may

posit, however, that due to the research citing the importance of social ties to the entrepreneurial venture, that ties in these firms (of which family businesses constitute a large proportion) may be more likely to move in the direction of social towards business ties than in the other direction of business ties becoming social. However, whilst Powell (1990) has noted the significance of particularistic relationships to wielding resource advantages for the organisation, he has also noted one of the potential drawbacks of a high level of embeddedness, with power potentially being lost and high levels of dependency increasing overall risk. This can be equated to Granovetter's notion of the strength of weak ties, and it is seen as a particularly significant concept for this study as a high level of particularistic relationships have been documented in previous studies of family firms (Luo and Chung 2005) and these shortcomings may therefore be especially prevalent for these firms.

The choice over whether or not to join a network, and, further, whether or not strong dense networks or sparse networks are more beneficial, is believed to vary depending on the industry in which the organisation is situated. Rowley et al (2000) for example, conclude that where uncertainty is high a sparser network is preferential. The decision on whether or not to participate may not simply depend on the network structure but also depend on the perceived requirements of individual actors (Mariotti and Delbridge 2007). As Brass et al (2004) identify, there are a number of influential factors in the formation of interpersonal networks; including actor similarity, personality, proximity to the organisation structure and environmental factors. Of particular significance is the notion of homophily (Blau 1977; Homans 1950) which identifies that people have a tendency to act with their similar others. Further, those who interact are argued to become more similar, as people seek to make sense of their own reality they compare their perceptions to that of others, making them more similar over time (Brass et al 2004). There are, therefore, a number of considerations for researchers to observe when analysing actors' motivations to join a network, ranging from instrumental factors to personality factors. These factors once again highlight the importance of considering the orientation to action of actors and further question whether the SoE framework goes far enough in establishing the motivations for joining a system of exchange in the first instance, as opposed to simply describing how and on what basis the exchanges take place.

A few researchers who have discussed the formation of networks have noted the importance of history of prior personal relationships in the character of exchange (Larson 1992; Larson and Starr 1993; Steier and Greenwood 2000). Larson (1992) concluded that the history of prior relationships provides the basis for the initiation of exchange relationships and that their longevity depends upon the creation of dense ties with high levels of cooperation, integration, and trust. 'Exchange relationships grow through an accreditation process which makes them increasingly structured. This creates a system of social relations based on greater trust, reciprocity and mutual understanding that transcends purely economic motivations' (Mariotti and Delbridge 2007:6). This, however, does not guarantee that increasing the length of a relationship will result in the tie becoming strong. Nevertheless it highlights the significance of trust in the development of relations and, again, suggests that ties move towards particularistic, associative based exchanges as interactions increase. Furthermore, historical context is cited as being critical in understanding the development pattern that exchange developments may follow. This is now discussed in more detail.

2.4.2 Context

Granovetter sought to explain the effects of differing relationship structures and noted the importance of considering content, structure and history of ties in considering such effects (1985). He criticised the work of Williamson (1975) as failing to take account of these factors and demonstrated that you could not explain the characteristics of exchanges and therefore the more macro network make-up if you did not consider the content and structure of relations. This proposition was central to Powell's (1990) development of the concept of the 'network organisation' and illustrates how important context is to consider in the analysis of any relation. Other researchers have also examined the broader cultural, historical and institutional contexts to explain networks that exist between organisations. For example, changes in competition law in both the UK and the USA have influenced the regulations that govern the establishment of inter-organisational ties (Powell 1990). Powell (1990) also provided examples of how culture, local, social and business organisation and institutional arrangements were critical in explaining the formation of inter-organisational networks both in the USA and abroad. Much of the past research that has been

conducted into the network form of organisation, as reviewed above, has been criticised for ignoring the context in which their empirical setting is embedded. The embeddedness approach of Uzzi (1996; 1997), for example, demonstrates the importance of social relationships for economic transactions. However, as Lie (1997) argues, Uzzi has largely overlooked the influence of the larger, historically transient structures in which the economic transactions are embedded and he believes that this omission will distort some of the conclusions that have been made.

As was noted in the above discussion concerning the dynamics of ties, history has been touched upon as holding an important influence on the exchanges that are observed in the present day. For example, as Johannisson (1987a) observes, friendship ties may, but do not necessarily, have a long history; affection can arise instantaneously. Whatever the length of its history, the length of the continuation of the exchange is unlimited; it is expected to go on forever. 'Symbolic networks are always deeply embedded in history, but the a-personal character of the ties implies that they can easily be broken..... the ties within a production network are occasional, mobilised as opportunities arise.' (Johannisson 1987a:14). This quote shows that the context of the exchange is significant not only in its development but its present state too. History is not the only important contextual factor in understanding exchange. However, as Rowley et al (2000) demonstrate, network choices reflecting a mix of ties will be taken in accordance with the actor's conception of rationality in the specific situation and also the environment in which the organisation is situated and the objectives of the firm. Hence, in order to fully understand exchanges that are observed, one needs to consider the context in which the firms operate.

Biggart and Delbridge acknowledge that different people have different orientations to action and understandings of rationality at different times and in different situations. As Dacin et al (1999:38) suggest 'economically rational behaviour is not only grounded in wider social structures and meaning systems but also generative of change and variation within these', hence highlighting the need to examine actor's rationality as a constantly changing phenomenon. Biggart and Delbridge (2004) also note that the social structures of the exchange settings are formed and institutionally shaped by the specific context. This is significant because what constitutes rational action can, in practice, vary across different exchange arenas (Biggart and Delbridge 2004). Moreover,

'because particularistic ties do not function in an institutional vacuum, whether they are effective depends on the problems and demands created by specific institutional environments and the legitimacy of such relationships conferred by the institutions' (Luo and Chung 2005:405). Whilst the SoE framework recognises that economic, social and cultural contexts form an important part of our understanding of exchange relationships. It does not elaborate upon the ways in which context may inform orientation to action and this is viewed as a further way in which extending the model could improve our understanding of how systems of exchange come to exist in the form that they are observed.

2.4.3 Levels of Analysis

With regards to the levels of analysis, there are likely to be commonalities between the micro and macro levels within the same system of exchange (Biggart and Delbridge 2004). The model presumes to operate at multiple levels of analysis, assuming that both corporate and individual actors populate each exchange arena, however, this has not yet been subject to empirical application and therefore some modification of the framework may be necessary.

In empirically examining the development in network ties, it is argued to be critical that multiple levels of analysis are considered. This is due to the fact that changes taking place at industry level may have repercussions at organisational and individual levels. For example, collaboration among firms may be the result of collaboration among individuals (Brass et al 2004). Furthermore, 'the tension between the hope of acquiring new capabilities and the fear of losing control over one's own resources may help to explain network reproduction and change at both the interpersonal and inter-organisational levels of analysis' (Brass et al 2004:808). Johannisson (1987a) suggests one of the most challenging tasks is for researchers to look at how these commitments interrelate, considering how different phases in development determine the importance of instrumentality. In the context of this study it could be proposed that, whilst the nature of social relationships in each firm may not necessarily change, the orientation to action will alter on a case-by-case basis; as Granovetter (1995) suggested, this will depend on the needs of the organisation. The study must, therefore, consider what influences orientation to action in each case. It is thought that this will be dependent on a number of factors informing what the exchange is about, such

as the historical influences (as suggested by Larson 1992 and Steier and Greenwood 2000), as was described in the previous section.

In addition to the macro level analysis of networks there has been considerable development in research into the exchanges conducted at a more micro level, concerning both individual and collective exchanges. Micro level network research focuses on the social capital of individuals within organisations (Haveman and Khaire 2006). These are the resources that emanate as a result of actors connections to one another, for example kin ties, friends, former co-workers and so on (Bourdieu 1980). The majority of this social exchange work has occurred within the scope of social exchange theorists, with roots in anthropology and commencing with the works of Blau (1964) and also Homans (1950). Research in this area has taken both an individualistic and collective approach. Of those that have adopted an individualistic approach, Blau (1964) makes a distinction between 'economic exchange' and 'social exchange'. Emerson (1981) identified two possible kinds of exchange, reciprocal and negotiated. Both, he believes, are types of restricted exchange. Reciprocal exchanges involve sequential giving where the terms and obligations are unspecified. Negotiated exchange involves an agreement with fixed terms and obligations. In each instance exchange is a two way process, with both parties incentivised to complete the interaction. Here, the focus is on mutual reciprocity, although exchange relationships are not seen as homogeneous (Mariotti and Delbridge 2007). Exchange is seen as a voluntary arrangement in which actors engage in exchanges to gain resources such as money, goods or services (Levine and White 1961). Like much of the research that has been cited in the above review, social theorist Etzioni (1988) also concluded that exchange relationships have different orientations, terming these an instrumental (economic) orientation, or an affective (social) orientation. It is accepted that social exchanges may or may not involve benefits with economic value but, nevertheless, engagement in social exchanges is seen as being motivated by the need to obtain scarce resources (Mariotti and Delbridge 2007:2).

Social exchange theorists who have taken a more collective approach to their research include Levi-Strauss (1969) who emphasised generalised as opposed to mutual reciprocity, where at least three actors are involved and can lead to the development of integrative ties through social networks that generalised

exchange creates. Das and Teng (2002) have more recently adopted this perspective in their work on the relationship exchanges that occur with members of strategic alliances. Support is also found here for the requirement of social exchange research to not simply consider individual and collective action at one level, but at all levels of analysis, as without understanding one level we cannot fully understand the others; personal relations operate at all levels that transactions take place at, not just the level of the individual. Decisions over whether to collaborate with another organisation on a business exchange may well be influenced by the interactions that may have occurred between individuals in the respective organisations that have an exchange relationship outside of the business boundary. It is simply impossible therefore to comprehend one level of exchange without considering the other.

Another problem with the lack of understanding of the orientations of ties is due to existing studies treating particularistic ties as a homogeneous category, (Granovetter 1995) when in fact organisational behaviour and social studies have both shown different types of particularistic ties may hold varying performance implications (Luo and Chung 2005). For example, a study by Tsui and Farh (1997) found that classifying particularistic ties into one single category suppressed the 'distinct effects' of different types of particularistic ties which, for them, made it difficult to assess the performance effects of such ties. Despite this study not aiming to assess the performance of such ties, it remains a contention that differing further between characteristics of particularistic ties is important for understanding under what exchange system they may operate and how this may be distinctive to family firms. The SoE typology goes some way to resolving the problems of shortcomings of research as described above. Firstly, with regards to the levels of analysis, the framework is assumed to operate at all levels. Secondly, rationalities within the framework are acknowledged to differ, for example in the price-based system, which equates to the free market in neoclassical thought, actors are not affected by social or moral considerations whereas in the moral exchange arena, ethical considerations are the focus of exchange. This is an important contribution to the integration of combining a number of perspectives, for example integrating institutional theory with network theory (Granovetter 2000).

2.4.4 Social Capital and Trust

Social Capital

Social capital resides in the relational structure between actors (Coleman 1988). Key theorists in the area of social capital include Coleman (1988;1990), Putnam (1993;1995;2000); Bourdieu (1986) and, more recently, Fukuyama (1995) and Portes (1998), all of whom conceptualise social capital in a slightly different manner. For example, Putnam considers it an attribute of communities, enabling actors to work together to pursue shared objectives (Putnam 2000). This has led to confusion over what actually constitutes social capital. It is also argued to have led to over-versatility in its use, accounting for some of the mass increase in attention that it has received in recent years (Baum 2000). Social capital was initially conceptualised in community studies highlighting the importance of relationships in the survival and functioning of city neighbourhoods (Nahapiet and Ghoshal 1998). More recently, it has been accepted that social capital is something that is inherent in the structure of relationships, intangible in nature so, in order to possess social capital, 'a person must be related to others, and it is those others, not himself, who are the actual source of his or her advantage' (Portes 1998:7). Accepting this argument, I shall follow the definition of Nahapiet and Ghoshal (1998), who define social capital as:

The sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network.

(Nahapiet and Ghoshal 1998:243)

Social relations make information 'credible and interpretable' (Uzzi 1996:678). Social capital resides in relationships, and relationships are created through exchange (Bourdieu 1986). The patterns of links are the foundations for social capital: 'what we observe is a complex and dialectical process in which social capital is created and sustained through exchange and in which, in turn, social capital facilitates exchange' (Nahapiet and Ghoshal 1998:250). This suggests that, when considering the dynamics of exchanges, an increased level of social capital will result in moves towards particularistic exchanges. Social capital therefore features highly in exchanges of a particularistic nature. Smangs

(2006) and Biggart and Delbridge (2004) both use concepts of social capital in exchanges as proposed by Bourdieu (1986):

Social capital is produced and reproduced within social networks of institutionalised relationships in general, and in exchange networks in particular, which are maintained and reinforced through acts of exchange that presuppose and produce mutual knowledge and recognition. Furthermore, the group or network is itself reproduced through these exchanges as the terms exchanged develop into signs of recognition, which at the same time maintain the limits of the group.

(Smangs 2006:899)

This acknowledges that social capital will feature in exchange networks, some more prevalently than others, however it does not explicitly state which types or dimensions of social capital can be found under the different exchange arenas. Social capital is recognised as being a multi-dimensional concept (Putnam 1995; Nahapiet and Ghoshal 1998), but we do not yet understand which dimensions may be prevalent in each exchange system. It will be useful to improve our understanding in this area to further comprehend under what circumstances social capital is beneficial to individuals and organisations, and in what exchange arenas the high level of social capital may become inhibiting or stifling. Social capital is an organic, intangible process or 'thing', and yet it has tangible benefits. Any way in which we can improve our understanding of this concept can lead us to further comprehend how these benefits can be repeated.

Whilst the attempts of Putnam to identify different dimensions to, and types of, social capital are recognised, the work of Nahapiet and Ghoshal (1998) is deemed more appropriate to this study. Putnam (2000:19) distinguishes between bridging capital, found in weak ties and good for 'getting by', and bonding capital that constitutes 'sociological superglue', essential for 'getting ahead'. Bridging social capital is also referred to as the private-goods model of social capital, focusing on individuals and their network relationships (Adler and Kwon 2002). However, this model is contested, as network theorists such as Burt (1992; 1997) believe that individuals benefit from their own levels of social capital and therefore they do not believe that social capital is a public good. Nahapiet and Ghoshal (1998) identify three dimensions of social capital: Structural dimension, the relational dimension and the cognitive dimension. The structural dimension considers the patterns of connection between actors. Here, the timing of information flows are considered important, as is network

configuration. Additionally, the structural dimension allows for the significance of an appropriate organisation for the transfer of knowledge as the authors identify organisations that may provide different sources of information for different purposes. In terms of the SoE framework, structural facets of social capital may feature more strongly in instrumentally rational exchange arenas where means are pursued to calculated ends as opposed to being guided by values as in substantive rationality. As Powell (1990) noted, the particularistic relationship may be beneficial in the transfer of knowledge and therefore the structural dimension of social capital may influence whether or not an exchange becomes price based or associative.

The relational dimension considers the nature of the personal relationship that develops between two people, manifested in strong and weak ties. Trust plays a pivotal role and being embedded in a relational network gives rise to relational trust (Nahapiet and Ghoshal 1998). In the relational dimension, the strength of ties also play a significant role as do norms of the social system, along with obligations and expectations that represent a commitment or duty to undertake some activity in the future. The relational dimension will therefore become significant in the different exchange arenas, for example, the communal area of exchange may represent a high level of obligation in terms of commitments to maintain an ethical value, whereas in price-based exchanges these obligations will be less as transactions are monetary based and are not necessarily repetitive. Relational dimensions of social capital may also be more prevalent in particularistic relationships where notions of reciprocity are high.

The cognitive dimension refers to 'shared representations, interpretations, and systems of meaning among parties' (Nahapiet and Ghoshal 1998:224). Shared meanings facilitate the exchange of information and knowledge, which allows actors to share each other's thinking processes (De Carolis and Saporito 2006). These cognitive dimensions may reflect the orientations to action in the SoE model, where shared meanings and values are anticipated in particularistic exchange arenas. The high level of particularistic exchanges that are anticipated to be visible in network relationships of family firms means consequently that high levels of social capital will also be apparent. In the instances where large amounts of social capital are present, such as particularistic ties, the high level of the social capital may bring difficulties as well as benefits (Adler and Kwon 2002) such as this increased level of reliance and

support which may increase the burden of expectation upon an organisation. These dimensions of social capital therefore suggest that different elements of social capital may dominate different exchange arenas. The table below shows which dimension of social capital may be most dominant in each exchange arena:

Figure 2.2: Social Capital and the SoE Framework

	Universalistic	Particularistic
Instrumental Rationality	Price-based exchange Structural	Associative exchanges Structural + Relational
Substantive Rationality	Moral exchanges Relational + Cognitive	Communal exchanges Relational, Structural Cognitive

Social capital is a key component of entrepreneurial networks (Burt 1992). The relations inherent in social capital do not have to only be professional networks but can also be former colleagues, friends or family or people that helped them to establish the firm (Hansen 1995). Friendship ties are demonstrated to be high in family firms (Anderson et al 2005) and this is another reason relational and cognitive social capital may feature strongly in their exchange relationships. It is due to this reason that we have recently seen concepts such as 'group social capital' (Smangs 2006) and 'family social capital' (Carney 2005) introduced into literature. These may also have a bearing on the SoE framework elaboration and will be reviewed in Chapter 3 that follows.

Trust

Trust forms a large part of the concept of social capital. It is debatable as to whether trust is an outcome of social capital, a constituent of social capital, or both. This research adopts the position that trust is a constituent of social

capital but acknowledges that an increase in the level of social capital can lead to an increase in the level or type of trust that forms part of an exchange. In order to better understand relations, a number of authors have explored the role that trust plays in exchanges (Blau 1964; Nahapiet and Ghoshal 1998; Zucker 1986). Similar to the concept of social capital, whilst the SoE model accepts that trust will feature more highly in some arenas than others, it is not explicitly stated which forms of trust may feature in each arena, especially in the subtle differences of social relations that are believed to exist between particularistic forms of associative and communal systems.

Authors have noted the varying types of trust that may be present in different types of market. Some classicists reject the notion of trust in business transactions but most now accept that some degree of trust must be present to operate (Blau 1964; Thompson et al 1993). As Uzzi (1996) comments, all regulatory mechanisms rely on trust of one form or another, be it clans, networks, or hierarchies, although the particular type of trust present in each relation may vary. Network theory argues that actors no longer simply pursue economic gains but are also motivated to enrich relationships through the adoption of trust and reciprocity (Powell 1990; Smitka 1991). As Frances et al (1993) comments, 'it is price competition that is the central coordinating mechanism of the market and administrative orders that of hierarchy, but it is trust and cooperation that centrally articulate networks. Exactly how such trust and co-operation might be generated and sustained remains the prime analytical problem in understanding networks' (p15). Trust is believed to be built upon the intensification of interactions and engaging in reciprocal commitments (Uzzi 1996). It therefore logically follows that with the increased level of interaction and expectation of reciprocity, the higher the level of trust. In this manner, associative and communal systems of exchange will exhibit higher levels of trust than price-based and moral systems.

Whether relationships are regulated through contracts or norms of reciprocity, both rely on the development of trustworthy behaviour (Mariotti and Delbridge 2007). Trust 'is a governance structure that resides in the social relationship between and among individuals and cognitively is based on heuristic rather than calculative processing' (Anderson et al 2005:139). Trust is believed to be a social process and it is the psychological mechanisms and expectations that are emergent features and reproduce trust over time (Uzzi 1997). Powell (1990)

identifies reciprocity as being a 'guiding principle' of network organisations where each actor feels a sense of obligation to the other. This is what Granovetter (2000:247) terms the 'moral community', where trustworthiness is expected and opportunism foregone. This concept has, more recently, been adopted by Sayer (2008) who discusses the 'moral economy' as a distinctive element in some types of exchange. It is expected that, with the combination of a high level of personal ties foreseen in entrepreneurial firms (Johannisson 1987b), along with the high level of obligations and the unique levels of trust that are exhibited in family firms (Granovetter 1985; Luo and Chung 2005), the instances of a 'moral' economy or community will be highly frequent. This assertion is continued in Chapter 3 when the literature of family firms and trust will be discussed. As a feature of social capital, social trust increases as actors get to know each other and experience things together, often through voluntary associations (Kavanaugh et al 2005). This concept may be significant, as research into the wine industry has documented the prevalence of voluntary associations in areas of high output. Therefore, we may anticipate that in areas that are densely populated with wineries, membership to voluntary associations may be high and social trust prevalent. Further, social trust may influence the dynamics of ties, and as trust increases upon interaction this may aid the development from universalistic to particularistic-based exchanges.

This does not mean, however, that all 'trustworthy relations' are strong ties, with significant levels of social attachment (Mariotti and Delbridge 2007). In some exchange arenas, for example moral exchanges, the community embeddedness may imply high levels of trust are present but actors are treated the same, in a universalistic manner and frequent social attachment is unlikely. This represents a similarity with what Das and Teng (2002) refer to as 'generalised reciprocity'. Granovetter (1985) insists that whilst social relations may often be a necessary condition for trust, this is not sufficient to guarantee such trust and may even provide occasion and means for malfeasance and conflict on a large scale in their absence. Granovetter (1985) argues that the level of malfeasance is potentially higher where social relations exist than when none are observable, as where social relations are not observable, fraud and the like tends to be both episodic and unconnected. Johannisson (1987a) agrees with Granovetter; 'misuse of trust will inevitably be diffused throughout the network. However, if adequately operative, trust relationship models a plus – sum game: doing the other party a favour is considered a privilege' (Johannisson 1987a:13).

With regards to how trust may influence the dynamic nature of ties, Gulati (1995) concluded that previous interactions with network partners held particular significance for trust in times of uncertainty. This suggests that in a difficult time actors may rely more upon particularistic exchanges whereas in times of business abundance more instrumental ties may be observed. Further, Beckman et al (2004) conducted empirical research into large industrial and service firms who were experiencing market uncertainty and found that they were more likely to form alliances with firms with which they had previously aligned themselves or interlocked. This suggests that high levels of trust are more beneficial in times of uncertainty. For example, even if actors trust one another, problems may arise in the course of collaboration (Brass et al 2004:803). Larson (1992) also concluded that social controls, arising from trust and reciprocity, were largely influential in the dyads that existed between high growth entrepreneurial firms suggesting that associative based exchanges will also be prevalent for family firms during these periods. In Chapter 3 when the literature on family firm research is reviewed these assertions will be further considered.

De Carolis and Saporito (2006) define trust as a double-edged sword. Whilst it creates confident expectations it also makes the trusting party more comfortable about entering vulnerable situations, which means that more risk may be undertaken than they previously would have. Problems can also arise in the course of collaboration (Brass et al 2004:803). Further they cite the dangers in perceiving information received from a trusting partner as accurate and relevant (De Carolis and Saporito 2006). However, as Lorenz (1993) notes, although trust may be costly, a lack of trust is more costly still. This may, of course, be dependent upon the context / current environment in which the firm is situated. As stated above, partners may rely more on high trust associative and communal relationships in times of uncertainty.

Considering all these assertions about the features, perceived advantages and drawbacks of trust, it becomes apparent that the notion of trust cannot be simply banded into one standalone concept. Many authors have attempted to distinguish between different types of trust, for example distinctions have been made between interpersonal trust and interorganisational trust (Zaheer et al 1998). Ties may originate because of interpersonal trust but their success is

said to depend on the interorganisational trust that is established. Williams (1988) distinguishes between 'thin' trust and 'thick' trust, where thick trust is generated by daily contact with people who tend to be socially homogeneous, for example are the members of the same church, whereas thin trust is characterised as being less personal, based on indirect social relations. This may be equated to the SoE framework where thin trust is likely to be found in universalistic relationships and 'thick' trust found in relationships of a particularistic nature. Dyer and Chu (2000) break these perspectives down into three areas, each involving the development of trust; firstly the social / embeddedness perspective, secondly the process based perspective and thirdly the economic perspective of trust. The social perspective sees trust emanating from social interactions with exchange partners (Dore 1983; Granovetter 1985; Powell 1990; Uzzi 1997). 'Long-term relations govern actions in inter-firm relationships and lead to cooperative behaviour in making social sanctions more effective' (Mariotti and Delbridge 2007:11). Similarly, Ouchi (1980) suggests that long term interactions can aid the development of trust and common understanding, hence providing a form of 'serial equity' and social memory. From the process based perspective, trust is built through routines that create a stable context for exchange. Here, the law, amongst other institutional forces such as trade associations provide, common rules that synchronise members' expectations and hence set a base from which trust in business relationships can develop (Lane and Bachmann 1996). The economic perspective refers to calculative trust and so the investment arrangements create the conditions that force a trustworthy manner to be adopted (Williamson 1979). This concept can be likened with the price based exchange arena in the SoE framework.

Relating these conceptions of trust to those that may be seen in the SoE framework, particularistic relationships are regulated by a mutual expectation of reciprocity and/or subordination to group norms (Mariotti and Delbridge 2007). Particularistic relations may develop through the building of trust between parties over times. Relating trust to social exchange theory, trust is believed to instil a sense of generalised reciprocity where resources may not be received in the same transaction but reciprocity will be received over the term of the whole relation. Again, this demonstrates the importance of understanding the dynamics of exchange relations. This, Mariotti and Delbridge (2007) believe, means that trusting relationships are based on the confidence in the moral integrity and goodwill of others. This may contrast with universalistic

relationships that are characterised by self-interest, in particular in price-based exchanges, in which instance the economic conception of trust developed by Williamson (1979) of forcing a trustworthy manner to be adopted, will be visible.

2.5 Conclusions

The intention of this chapter has been to demonstrate the gaps in our current knowledge that exists concerning the characteristics and development of network exchange relationships. The literature development shows that despite some moves towards a more comprehensive analytical tool of exchange relations than the rather simplistic notion of strong and weak ties, there remains some way to go in developing a comprehensive conceptual framework within which to fully understand the nature of such exchanges. The SoE framework has been situated amongst this developing literature and has been shown to be an appropriate tool for which to embed the research questions. This typology, however, has also been shown to require possible further refinement in its empirical application and a number of ways in which this could be achieved have been suggested. This includes making the typology reflect the dynamic nature of ties, and incorporating the notion of trust into the framework in a more visible manner. These suggestions are integrated into the research objectives, as identified at in the proceeding chapter, which introduces the setting of the research, family businesses.

Chapter 3

Understanding Family Business Relations

3.1 Introduction

The previous chapter demonstrated that whilst authors in social network theory have noted that exchange relations are both socially and culturally embedded, research has, as of yet, not gone far enough in developing our understanding of relationships beyond the dyadic notion of strong and weak ties. The SoE framework was identified as one way in which this improved level of knowledge could be achieved. Four ways in which the model could be extended for empirical application were proposed in terms of exchange dynamics, consideration of context, the elaboration of the concepts of trust and social capital, and the need to make further links between levels of analysis. This discussion allowed tentative conclusions to be drawn as to the dominance of particularistic exchanges in family business relationships.

The literature highlights that one of the most basic characteristics through which family firms are distinctive is the relationships in which they engage (Aronoff and Ward 1995; Hoffman et al 2006; Tagiuri and Davis 1992;1996). Recent research (Chua et al 2003) identifies that family networks can contribute to the performance differential that is argued to exist between family and non family firms, however, little is known about the impetus for the exchanges of these relationships. Prior research has reflected the importance of improving our understanding of the family firm by looking at relationships between the family and organisation in these workplaces (Fletcher 2002; Kepner 1983; Wheelock 1991; Ram and Holliday 1993a; Poutziouris and Chittenden 1996). It is because of factors such as differing orientations to action, complex and competing rationalities employed in relationship development, and the divergent and overlapping nature of relationships between the business and the family, that family firms are considered to be an interesting context in which to examine network and exchange relationships.

This chapter examines these factors, explaining why family firms are an appropriate setting for the study. It anticipates ways in which the SoE framework in particular, and the research in family businesses in general, may contribute to our understanding of family firms. Concurrently, in so doing we also develop and elaborate the SoE framework. To achieve these aims, the chapter identifies four key areas in which our understanding is not fully developed with regards to relationships and family firms. Firstly, the orientations to action of family business relationships have not been examined in-depth beyond the prevalence of particularistic relationships being cited (Luo and Chung 2005). An examination of institutional logics of the family and the corporation and how these compete with each other also requires further attention (Reay and Hinings 2007). Secondly, as Greve and Salaff (2003) identify, very few researchers have studied the role of the family in networks, it is therefore important to look at the nature of relationships in specific relation to the family firm both within the family and between the family firm and other organisations. Thirdly, families exhibit high levels of trust within kinship networks (Anderson et al 2005), however little is known about in what relationships trust may remain prevalent for the family firm and whether or not this trust features highly in other associative systems of exchange. Fourthly, shortcomings are identified in methodological approaches to family business research and the setting of wineries that are used as a basis for this study. Following this review, contributions and research questions are defined.

3.2 Concept of the Family Firm

The field of family business research is relatively new and emerging. There were a number of articles before the 1970s and case studies increasingly began to emerge through to the early 80s but it was not until the mid 80's that the 'field' itself was established, academics began defining themselves as coming from the family business field and conferences and journals began to emerge. The field remains at this emergent stage at present with huge spaces between existing research and theories (Gersick 1994). Gersick (1994) describes family business as a 'complicated' field incorporating and adapting ideas from a wide range of disciplines not limited to organisation theory but through to psychology, sociology, economics, history, law and others.

Academic family firm literature places great emphasis on difficulty in the conceptualisation of a definition for family firms; the ubiquity of which, both geographically and temporally, makes a fully functional and widely accepted theoretical and operational definition problematic (Westhead et al 2002; Handler 1989; Litz 1995; Chua et al 1999). Since the definition of these firms determines the nature and boundaries of inquiries made in and about them, it is a significant issue in any research and, consequently, comparing studies is problematic as many researchers do not use the same definitional criteria. Whilst recognising that a huge variety of definitions exists (Anderson et al 2005; Chrisman et al 2005; Chua et al 1999; Handler 1989; Litz 1995; McCann et al 2003; Sharma 2004; Westhead et al 2002; Wortman 1994), this research adopts the position of Westhead et al (2002) who integrate common definition areas, citing that a business can be considered a family firm if it fulfils two of the following criteria:

- 1) Whether a family owns over 50% of the shares in a business (Donckles and Frohlich 1991; Cromie et al 1995)
- 2) Whether members of an 'emotional kinship group' perceive their firm as being a family business (Gasson et al 1988; Ram and Holliday 1993b)
- 3) Whether a firm is managed by members drawn from a single dominant family group (Daily and Dollinger 1992)
- 4) Whether the company had experienced an inter generational ownership transition to a second or later generation of family members drawn from a single dominant family group owning the business (Gasson et al 1988)

It is not just the definition that is different between family firms but structures differ too. Many studies are criticised for not differentiating between the different types or structures of family firms. For example, Chrisman et al (2004) and Schulze et al (2003), in highly influential papers, do not take into account the degree of family involvement despite recognising that definitions of a family firm vary widely. Authors such as Eddleston et al (2008) have shown that the degree of family involvement does impact on research outcomes: 'future research may want to investigate if different degrees of family involvement for family firm structures impact the observed relationships' (p43). This is seen as a significant drawback of such studies and in this empirical research the level of family involvement will certainly be considered in observations and analysis, particularly as the research deals with relationships on which the founder is shown to have a significant influence. Studies conducted thus far have also

been criticised for concentrating on examining the structures of the firm as opposed to the people involved (Kets de Vries 1996). In fact, family firms are arguably more apt to evoke owner manager care and commitment due to the fact that the firm serves as a vehicle for economic, socio-emotional and career sustenance of the family (Gomez-Mejia et al 2007), a factor that indicates the importance of considering the dynamic nature between the business and family systems.

Anderson et al (2005) discuss the notion of business assistance provided by those outside the firm as being conceived in terms of 'virtuality':

In a virtual organisation, physical proximity and formal ownership/employment ties are rejected in favour of exchange relationships based on trust, mutual benefit and a sense of belonging. It seems feasible to argue that appropriate kin outside the formal boundaries of the family firm, working in physically and organizationally distinct loci, may prove excellent virtual members of a family firm. Trust and a sense of belonging are provided by the family context, which also mediates relationship interactions in a positive manner. The benefits that these possible kin network contacts, or virtual members of the family firm, provide to the family firm are likely to be enhanced by their emotional commitment and long-term understanding of the firm. Informal interrelationships between strong tie family network contacts and the entrepreneurial firm can thus be argued to provide flexibility and diversity in their resource provision, beyond that which can be provided by family employees, but with greater levels of trust and commitment than that exhibited by non family strong tie contacts.

(Anderson et al 2005:141)

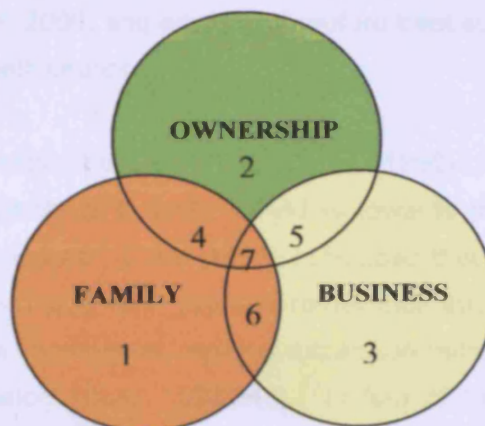
The importance of kin external to the immediate or traditional boundary of the firm is therefore accepted, however, similarly to the debate concerning trade associations, the effects of membership to such networks in terms of increasing or inhibiting diversity remains contested. What is clear is that more emotional factors, or substantive rationality, are employed in decision-making and more complex notions of trust are exhibited.

Networking for small family firms can be a problem, however, for example when the owner manager is highly visible it is likely that customers will request interaction specifically with them as opposed to someone else in their team: whereas in a non family corporation the managing director may be anonymous,

when it is known the family are owner-managers, customers frequently want to go 'straight to the top' and know who to request. Therefore, a large amount of the owners' time is spent dealing with customers directly that refuse to deal with anyone else. Dunn (1996) found that customers of family firms liked to deal with 'the name'. In her study of UK family firms she also found that family firm owner managers tended to desire to be highly visible with customers, suppliers and sometimes the community. This was used opportunistically to enhance customer relations and maintain family reputation as these owner managers felt visibility gave a competitive edge in terms of quality because it promoted a mutual sense of trust and loyalty (Dunn 1996). It is possible to accept the contention that family firms may enact an increased personable approach to that of non family firms, again, confirming Granovetter (1985) and Luo and Chung's (2005) assertion that a higher level of particularistic relationships will be demonstrated in family firms.

This study follows research output suggesting that the family and the business are 'inextricably intertwined' and have to be treated as one subject together, hence advocating a 'family embeddedness perspective' (Aldrich and Cliff 2003:573). Gersick et al (1997) propose a three circles model for viewing the family firm as overlapping subsystems of family, business and ownership. These systems are independent but overlapping subsystems, where any individual can be placed in one of the seven sections that are formed by the overlapping subsystems.

Figure 3.1 Three Circles Model



Gersick et al 1997:06

By example, family members are in circle 1, employees are in circle 2, and any member with a financial stake in the ownership of the company is in circle 3. But, if the family member is also an employee then they will be in section 6, or 7 if they have ownership stakes in the firm. Individuals have only one location in this model by definition but this is subject to change over time. The authors argue that by specifying these roles and subsystems it helps to breakdown the complex interaction in a family firm and enables easier identification and explanation of phenomena. The overall result is a 'messy interaction' of all three systems. The concept of this interaction, is adopted in this thesis and is represented in Figure 3.1.

Ward (1987) believes that the differences in family and non-family firms result from the contradictions between the family and business systems: 'The very nature of business often seems to contradict the nature of the family..... Families are protective of their members, non-family businesses much less so' (Ward 1987:54). Nevertheless, as discussed, these systems do overlap and it is as a result of this interaction that stark differences between firms under family ownership and corporate ownership can be seen (Harris et al 1994; Ward 1987). It is due to these complexities that family business research has largely remained ambiguous in nature. Differences are noted between businesses that include family involvement and ownership and those that do not, however, our knowledge of these differences and their subsequent effect on performance is not complete. As Chua et al (2003) comment, 'to a large extent, ignorance about the uniqueness of family firms and the nature of their economic contributions had prevented the development of a rigorous integrated theory of family firms' (p331). However, as one must be mindful, the perception of success in these firms is not always equated to growth (Alderfer 1988; Dunn 1996; Heinerth and Kessler 2006) and we must therefore treat such concepts of performance differentials with caution.

In her research into Scottish family firms, Dunn (1996) highlighted the awareness of the responsibility of a family individual towards their own family and to the families of employees. Dunn (1996) concluded that this 'translates into strategies focusing on a long term payback rather than short term and, in the main, concentrating on incremental, regional expansion rather than rapid or wider geographical expansion' (Dunn 1996:146). In four of the families that Dunn interviewed she found that they had at some point in time foregone some

investment in growth in order to retain family ownership. She also discovered that in all families (ten in all) a job in the family firm was considered to be a birthright and that ownership was to be kept within the family 'at all costs' (p146). Dunn continues: 'The most apparent motivational factor was the need to preserve and enhance the name of the family; this translated into an obsession for quality, a tendency to care for staff, and sponsorship of local events and charities' (Dunn 1996:146). This assertion confirms the importance of considering what constitutes success for the owning family, as Aronoff (2004) states, although performance is important to families, they are further motivated by fulfilling a set of 'family values', the attainment of which supersedes the desire for financial performance in most instances.

3.2.1 Logics and the Family Firm

The idea of fulfilling a set of 'family values' can be related to the employment of logics in these firms. Logics are defined by Thornton (2004) as 'socially constructed assumptions, values, beliefs and rules that guide individual and organisational action' (p69). The idea of 'logics' was introduced by Friedland and Alford (1991), who conceptualised society as an inter-institutional system of which there were five core institutions; the market, the state, democracy, the nuclear family and religion. All five of these logics were important considerations in understanding behaviour at all levels of analysis although Friedland and Alford (1991) concentrated their analysis on the societal level. They suggested that each of these core institutions of society has a central logic that constrains the means and ends of behaviour but also provides sources of change and it is these inherent contradictions that provides individuals and organisations for resources to transform identities organisations and society (Thornton and Ocasio 2008). Much of this early work suggested that there were dominant logics, which often competed but resulted in one logic 'over-riding' another. More recently, Thornton (2004) has extended these types of logics to include six 'ideal logics'; the market, the corporation, the state, the professions, the family and religions. This new 'institutional logics' approach is praised for assessing the existence of multiple logics that are assumed to change and develop over time: 'Institutional logics shape rational, mindful behaviour, and individual and organisational actors have some hand in shaping and changing institutional logics' (Thornton and Ocasio 2008:100). It is therefore recognised

that a change in logics can result in a change of behaviour and different logics may dominate at different points in time and under different circumstances.

This concept draws clear similarities with the SoE framework and the concept of family businesses. From the work of Thornton and Ocasio (2008) we are able to suggest that the dominant orientation in families may be one of substantive rationality. This, combined with the work of Gersick et al (1997), provides an interesting contention of the possibility of viewing multiple logics in the family businesses studied, with their likely to be different logics in place for each of the sub-systems that exist (business, ownership and family). We may, therefore, anticipate that family firms may be seen as substantively rational with orientations with particular goals. We may also suggest that, as a result of considering these competing rationalities or logics of family and business, that where the family is highly involved in the firm the family logic will prevail or become dominant and hence communal exchange density will be high. Whereas in those firms where the family is less directly involved in the firm corporate logic may dominate, and therefore we may anticipate a higher level of price based exchanges emerging. This may also be influenced by the level of commitment of the spouse in the business as identified by Van Auken and Werbel (2006) as, where the spouse is less committed to the business and more concerned with family duties, they may push forward family logic into the business and hence more communal systems of exchange may be observed.

This assertion has tentatively been supported by Reay and Hinings (2007) in their exploratory investigation into logics in family wineries in Canada. These authors recognise that, although it may not frequently be recognised as such, authors in the field of family business research may have considered the presence of multiple logics when considering the institutions of the family and the business. In their study Reay and Hinings (2007) aim to develop this notion of multiple logics in family firms more explicitly. They arrive at a categorisation of three types of family firms, with differing orientations; traditional family owned businesses, lifestyle family owned businesses and corporate family firms. Whilst attempts at categorisation of family firms are nothing new in the field (see, for example, Birley 2001), the integration of institutional logics into these categorisations is. An important contribution in this analysis is that different actors are influenced by different logics. The authors particularly note the dominance of co-existing logics in cases of collaboration with other wineries,

observing the overlap of collaboration and competitive logics. This is significant for the field research in this case where relations between actors and their local environment will be analysed. Further studies by Greenwood and Hinings (2006) also explore the notion of institutional logics and entrepreneurship, highlighting the significance of the relationship between the three levels of society in order to better understand the mechanisms for organisation and institutional change.

In this thesis, references are made to both institutional logics and 'situated' logics. Whilst the concept of institutional logic stems from the key social sectors of society – family, religion, state, professions, corporations, markets (Friedland and Alford 1991; Thornton 2004) and is referred to as socially constructed beliefs, values and rules that guide individual and organisational action (Thornton 2004), situated logics take account of specific contexts. Here the term institutional logic is used to refer to generic underpinning norms and conventions that are grounded in these societal sectors and 'situated logics' describe the logics at play in specific fields, contexts and periods. This reflects recent calls to situate the study of organising in its meaningful context (Much et al 2006). This concept shall be developed throughout the thesis and used to develop a new understanding of family business relations in Chapter 9.

3.3. Family Firms and the SoE Framework: Areas Requiring Further Attention

In this section the current understanding of family business relationships is related to the concepts that have already been introduced within the SoE framework. There are four areas in which there appear to be 'gaps' in our current knowledge and where, by applying the framework, we could learn more about the family firm whilst simultaneously refining the framework. By identifying these gaps we are able to outline clear contributions that the research will make. As identified, the four areas that require further attention are; the orientation to action in the family firm; the nature of relationships in the family firm; concepts of trust and social capital within the family business and, finally, methodological shortcomings in current research.

3.3.1 Orientation to Action and the Family Firm

Studies explicitly pertaining to relationship orientation in family owned businesses are thin on the ground. However, some investigation has been carried out in the area of small business research (the vast majority of which are family owned), which may shed some light on anticipating the dominant orientation to action that may be visible in the small family firms that are to be studied. Fuller and Lewis (2002), for example, examine the orientation to relationships that small business owners hold. Their empirical study adopts a social constructionist approach, using grounded theory to explore the differences in meaning of relationships to 36 owner managers of small firms, where relationships were conceptualised as the mechanism that links the firm to its environment. They conclude that there are five categories of orientation to relationships with each firm having a dominant orientation with customers and suppliers; Network relationship strategy; Contract relationship strategy; Personal service relationship strategy; Personalised relationship strategy and Strategic development relationship strategy. These orientations ranged from the notion of market based price exchange, as in Network relationship strategy, through to personalised relationship strategies that could be equated to exchanges within the particularistic structure of social relations. This study shows the relevance of differing orientations to action of the small firm, however, the contention raised that one orientation will dominate relationships is not convincingly argued. You could argue that firms have multiple orientations and not necessarily one 'strategy' or approach but many. However, it is a valuable study in the sense that it highlights the differing orientations to action that do exist and does not assume relationships remain static but notes that these will change in orientation over time. This is advantageous over traditional models of market relations which assume that all orientations to relationships are based on price exchange and network analysis that notes the importance of social influences in relationships but does not make explicit conditions in which orientations may differ. The SoE allows for differing orientations to be reflected within one framework and it is therefore seen as advantageous over the model developed by Fuller and Lewis (2002). Chapter 2 suggested that the SoE framework should take into account these possible changes and, therefore, the pattern of movement of exchanges must be anticipated. Further, where a firm possesses

a dominant orientation that will be reflected in the SoE model and where orientations are more balanced between bases this will also be visible from data analysis. There have also been repeated calls in the literature for a more dynamic perspective of entrepreneurs and their network evolution (such as Aldrich et al 1990; Hite and Hesterly 2001; Human and Provan 1996; Larson and Starr 1993; Stinchcombe 1990). By considering the dynamic nature of such exchanges contributions can be made to both areas of knowledge.

Some work in the family business domain regarding specific stakeholders has been carried out which gives an idea of their orientation to action. Networks that include competitors have received very little attention in the literature, largely because much research presupposes larger firms competing strenuously with each other for market position and market power (Porter 1980). However, in the area of entrepreneurship research, an study has been cited which demonstrates how collusion and not competition may be the norm: Brown and Butler (1995) find that in many cases entrepreneurial firms may 'view each other not as rivals, but as allies against larger competitor firms' (p58). These competitor networks can hold a significant effect over the businesses that exchange information in this regard. This study raises interesting contentions, however, its shortcomings include not explicitly stating at what stage this collaboration may occur between firms. Additionally, it is not known whether this contention would also apply to family firms, or, further, whether this collusion is limited to a specific industry. As White (1988) describes, in order to consider these competitor networks one must depart from the classic view of market exchange, instead, a 'tangible clique of producing firms, observing one another in the context of an aggregate set of buyers' (p227) fits well with the concept of a network that is used by entrepreneurial competitors who have banded together to create a market presence and compete against larger, more established firms. With its departure from the classical economic view of exchange, the SoE framework may be a suitable tool in which to further describe the situated logics that underpin orientation towards these collaborative competitive relationships.

The advantages of entering such competitor networks are believed to be increased access to more task-specific information than social networks would provide (Gales and Blackburn 1990). Additionally, competitors can provide information from a strategic perspective similar to the entrepreneurs. This is mutually beneficial but argued to work better for firms at the same level of

vertical hierarchy in an industry (Gales and Blackburn 1990). Exploiting these possible networks can lead to higher performance, it is believed, due to the fact that actions are taken that produce enhanced outcomes (Brown and Butler 1995).

The family themselves affect the relationships that are established and the exchanges that take place in a variety of ways. Mulholland (1997) also aims to shed light on this influence. She examines the ways in which a family business is driven by, and is dependent upon, a shared business culture, which stems from a similarity in class background, a shared value system and common business strategies 'which transcends but does not subsume ethnicity, while re-instating the *patriarchal family* as the key agency in the generation of family capitalism' (Mulholland 1997:687 original emphasis). She believes that the notion of a *shared business culture* emanates from creating, managing and sustaining a family firm, in particular referring to the management of the business regarding leadership, succession, the internal sourcing of investment capital, risk avoidance with relation to business growth and a reliance on family labour and the nurturing and utilisation of social capital (Boissevain 1974). 'The structure comprises of instrumentally determined social networks of friends which can provide assistance in the pursuit of business goals' (Mulholland 1997:686). Mulholland (1997) draws upon the notion of habitus as developed by Bourdieu (1986) to make sense of the notion of a shared business culture. Habitus as culture conveys a sense of best practice which is internalised and becomes a way of doing things in which social actors engage because such action is rational, legitimate and purposeful. The notion of substantive rationality, as reflected in the SoE framework, is important here as it places in context which particularistic values have their own rationality 'which can be compatible with modern rationality, in that calculability underlines kinship relations in order to further the business' (Mulholland 1997:687). From her case study research into 70 successful family businesses across different economic sectors in the Midlands across different generations Mulholland concludes:

The research has identified a number of key shared business strategies and beliefs which are bounded by a fusion of particularistic and universal rationality which is embedded in the material reality of the family. The businesses are generated and perpetuated by the family, primarily to ensure the survival and well being of the family, and also for the good of the community. The family business as an institution can provide

the conditions for self-realisation for a few privileged male kin, but it is perceived to be a mechanism of protection for wider kin members in a hostile and predatory economic environment.

(Mulholland 1997:706)

Mulholland's research demonstrates the importance of considering the values of the individual family that are involved in the research in order to add understanding to their impetus to be involved in differing relationships in differing patterns of exchange. It also reinforces the argument that the family firm must be considered as an overlapping system of elements which includes the business, family and ownership as one, not as the sum of individual parts, as advocated by Gersick et al (1997). This work draws clear similarities in its conclusions to the work of Friedland and Alford (1991) and Thornton and Ocasio (2008) who suggest the logic of the family emphasises mutual support and collective action. Again, the importance of particularistic relationships are cited here, but that is not to assume that all exchanges will be particularistic.

Significantly, Mulholland draws our attention to the importance of community in exchange portfolios of family firms. This has been mentioned by a number of other commentators in family firm research as being highly influential in relationships by, for example, Dunn (1996) whose research stressed the loyalty and support that family firms give to their communities. Dunn (1996) cited that of the ten firms she studied almost all made donations to local charities, emphasising the need to donate to local causes. Other literature has also noted the prevalence of community friendly policies in family firms; including charitable giving, flexible working, childcare and good retirement benefits (Aronoff 2004; Beinetti 1992; Budros 1999; Deniz and Suarez 2005; Ettorre 1995; Nelson 1997; Perrow 1993). Lank (1995/96) reports the high sense of responsibility that family firms feel towards to community, observing that families have created the majority of charitable foundations, suggesting that this sense of responsibility is translated into reality through philanthropy. Gallo et al (2004) explain that this high level of investment in the community does not mean that families are not concerned at all with economic wealth just that their values are driven by different concerns such as stability and capital preservation for the next generation. The high level of involvement may also be partially attributable to the fact that the founding family have considerable, if not total, control over activities and resource allocation (Stavrou et al 2007). This observation would

lead us to anticipate a high level of exchanges based on substantive rationality in the family firm in their exchanges with the local community. As Vine (1983) notes, altruistic impulses are likely to be stronger towards kin, requiring less rational deliberation. We could contend that this 'less rational' deliberation may apply to some considerations of community for family firm owners who may see the community as extended family. This reaffirms the likelihood of exchanges based on substantive rationality to be found in exchanges with the local community.

3.3.2 Nature of Relationships in the Family Firm

Following Aldrich (1979) organisations are seen as essentially open systems which interact with the environment and their behaviour is best understood by studying the networks within which they are involved. More specifically relating to the family business, 'the sharing of resources, including social networks, between the family and business is a major influence on the ability of each to thrive' (Editorial JBV 2003:560). As Johannisson (1987b) argues, however, it is not just environmental resources that the personal network of the entrepreneur provides, but their network is the vehicle by which s/he carries out their organisational mission. Stewart (1990) believes that these cited benefits suggest networks can be assessed according to traits such as Granovetter's distinction between strong and weak ties. Granovetter's work has influenced researchers in the area of entrepreneurship which, although not entirely populated by family firm membership, bears many similarities which we can draw upon to provide possible insights into what we may find in the case of family business relationships. For example, access to advice and information is commonly cited as a key benefit of network membership for entrepreneurs (Birley 1985; Freeman 1999; Granovetter 1973; Singh et al 1999). And, further, as suggested by Johannisson et al (1994) and Oh et al (2004), as relations become more embedded the chance increases that network partners become multiple resource contacts. Human and Provan (1996) and later Anderson et al (2005), described relationships between entrepreneurial firms as more likely to be multiplex involving friendship, information and business exchange (adding weight to the importance of furthering Granovetter's foundation works by considering the dynamic nature of ties). The literature on SMEs and family businesses has also begun to realise and communicate the importance of

Personal Contact Networks, to the success of business. Moreover, Schneider and Schneider (1976:11) conclude that establishing a personal network is an entrepreneur's 'most significant resource', being advantageous in terms of flexibility low overhead and low initial cost.

Granovetter's theories also have further reference to the development of the theory of the family firm. For example, whilst immediate family usually exhibit characteristics of strong ties, it is asserted that in order to gain increased access to information families must exploit their weak ties through extended family (Lomnitz and Pérez-Lizaur 1987; Schneider and Schneider 1976; Stewart 2003). Stewart (1990) describes strong ties in this instance as 'multidimensional ties with moral investments', hence indicating a possible prominence of exchanges based on substantive rationality for entrepreneurial relationships. It is noted that moral investments are not the same as moral exchange systems, where all exchanges have a moral base but where substantive rationality places values as the primary orientating factor of action (Biggart and Delbridge 2004). However, as much as these authors advocate the strengths and weaknesses of maintaining such a balance of ties, there are a significant number of authors that would not agree with their assertion that entrepreneurs can be expected to have a large number of weak ties (Fletcher 2002; Storey 1994). This may further be a distinction that could be made with entrepreneurial and family firm exchange networks compared to corporate organisation networks; with the high level of kin relationships that influence a family firm they may be accused of depending on a higher level of strong ties than independent entrepreneurs. As Lyman (1991) notes, family businesses tend to be known for their integrity and commitment to relationships, again suggesting that levels of exchanges based on substantive rationality may be high.

Granovetter's theories, whilst influential, can be argued to be limited to the study of family business relations. For example, the applicability of the 'strength of weak ties' theory comes from Dyer (2003) who looks at the significance of weak ties for family business networking. He suggests three variables related to the family may be added to the model of Siebert et al (2001); firstly, involvement of family members in the organisation, secondly, familial social capital and thirdly, access to senior family members. When taking these factors into consideration, it is possible to see the model is significantly altered, demonstrating 'in the context of a family firm, one's social capital within the family and strong ties to

senior family members, not weak ties, will likely lead to greater contacts, access to information....which are positively related to career success' (Dyer 2003:407). From this research Dyer (2003) therefore concludes that the work of Siebert et al (2001) and the likes of Granovetter (1973), are 'limited' for their applicability for family firms. Therefore, one may suggest that particularistic relationships will be of more strategic benefit to family firms. This also suggests that in particular social capital and levels of involvement of the family in the business will affect the prevalence of such ties. Social capital has already been suggested as an important elaboration of the framework and this research confirms that family firms will be an appropriate context within which to embed such a study, suggesting there is more to be known about such a concept in relation to exchanges. These findings suggest that a more holistic tool is needed to analyse family business relationships, one that incorporates a notion of substantive rationalities and provides a greater distinction between different types of 'strong' ties that dominate family business relationships. The SoE framework provides these distinctions but, as advocated in the previous chapter, there lies a need to further distinguish the dynamic ability of exchanges and elaborate notions of social capital and context in order to further deepen our understanding. At present, we recognise that these factors hold a significant influence but we do not fully comprehend how they are enacted.

Other family business researchers have also used Granovetter's notion of strong and weak ties to examine the nature of relationships in family firms. Fletcher (1998) considers the assertion of Granovetter (1973) with specific relation to their influence on innovation in family businesses. Her ethnographic study, from a small family engineering firm observed the presence of increased 'sentiment' and friendship relationships which increased the chance of ties being strong as opposed to weak ties. However it is due to this morality aspect she believes, that these institutionalised ties can be 'more inhibitive in generating innovation processes in organisations than mobilising them' (Fletcher 1998:137). Brush et al (2001) reviewed research on resource mobilisation as reflecting a social embeddedness approach, concluding that most research held specific reference to the founder of the business establishing social ties, regarding human, financial and other resources. Aldrich (1999) and Aldrich and Zimmer (1986), in agreement with the findings of Dyer (2003) concluded that strong ties established by these founders had a highly positive influence on the business, contrary to the view of Granovetter, Fletcher and others who advocate 'the

weakness of strong ties'. Others too, concurred with the findings such as Starr and Macmillan who term established collective ties as 'tailoring the groundwork for new ventures' (Starr and Macmillan 1993:577). The research agrees that strong ties are more prevalent and, in terms of the SoE framework, that particularistic exchanges will be the dominant orientation to action in family firms, no matter whether their effects are concluded as positive or negative for business operations. However, it does not guide us to anticipate whether or not exchanges will predominantly move away from, or towards, communal or associative arenas of exchange and under what conditions these movements will occur.

It is over the debate of family members' involvement resulting in increased or decreased performance for the family firm that Eddleston et al (2008) introduce the concept of 'reciprocal altruism'. This is defined, according to the stewardship framework as 'that of unselfish concern and devotion to others without expected return.....whose primary effect is a strong sense of identification and high value commitment towards the firm' (Corbetta and Salvato 2004:358)¹. These authors use the resource-based perspective and draw from stewardship theory to explain and empirically test how reciprocal altruism may act as a family-based resource that contributes to a family firm's competitive advantage. Stewardship theory assumes that employees are stewards of the firm, who are not motivated by individual goals but whose interests are aligned with that of the organisation and therefore these stewards will act within the best interests of the organisation (Davis et al 1997):

Reciprocal altruism may explain why in some family firms members are able to successfully work together and run a business while in others, family members are laden with animosity and feelings of entitlement that lead to deteriorating performance..... Altruism is expected to reinforce family members' interdependence and to encourage them to place the firm's objectives ahead of their own.

(Eddleston et al 2008:31)

Eddleston et al (2008) focus on reciprocal altruism that can embody the family unit. They accept Davis et al's (1997) assertion that altruistic families possess

¹ This differs from the asymmetrical type of altruism adopted by agency theories that often focus on how altruism affects the parent/child relationship and compels parents to be overly generous towards children (Eddleston et al 2008).

collectivistic orientations that encourage family members to exercise self-restraint, demonstrating helping behaviours and to consider the effect of their actions on the firm. In altruistic family firms, members are highly dedicated to the firm and believe that they have a joint responsibility to see the business prosper. The degree of such reciprocal altruism varies widely among families; the degree of common goal sharing and commitment to the business varies as to the family member concerned (Cabrera-Suarez et al 2001; Eddleston et al 2008). As Hatch and Dyer (2004) describe, the RBV sees human resources as the most difficult resource to emulate, a product of complex social structures built up over time, suggesting that family involvement would be a potentially advantageous resource to the firm. This work is therefore in agreement with researchers such as Habbershon and Williams (1999) and Nordqvist (2005) who advocate the overlapping nature of the family and the business can lead to a competitive advantage when it is synergistic and hard to duplicate.

Notions such as particularism have been cited as particularly significant for firms that are owner managed. Carney (2005) believes that particularism has important implications for contractual relations; whilst professional managers are able to lean towards arm's length contracting due to managerial governance, owner managers have the ability to select whichever supplier they prefer, personally, professionally or both. For example, whilst corporate managers have recently looked towards supply chain management with a small number of preferred suppliers, the underlying relationship remains anchored in formal agreements (Frenkel 2001). Owner managers on the other hand have much more freedom to discriminate between contracting modes however they wish and therefore they do this on particularistic criteria (Carney 2005). As an example, Uzzi (1997) concluded that despite the reliance on arm's length transactions, close relations were maintained with a unique sub-set of partners. Hence, Carney (2005) suggests:

The blend of relational and arm's length transactions will depend upon the personal and particularistic values of the owner-manager, whereas the efficacy of such contracting processes is critically dependent upon the acuity and business sense of the owner-manager, which varies from firm to firm and across generations.

(Carney 2005:255)

Carney's (2005) assertions rightly suggest that we should not assume that values will be generic amongst owner-managers, but that these values depend on the personalities involved. As was suggested in Chapter 2, further examining what factors influence the characteristics of exchanges may shed light on the differences that can be observed between the types of particularistic relationships that occur and, further, what influences that balance between relational and arm's length contracting. In this instance this will be the exploration of the structure of social relations between price-based and associative systems of exchange that may improve our understanding of such balances.

3.3.3 Dynamic Nature of Ties

Chapter 2 also developed literature suggesting that orientations to action, and hence the nature of relationships, are subject to change and develop over time. Gibb (1997) uses social network theory, developed by Boissevain and Mitchell (1973), to explore the relationships between small firms and stakeholders. He concludes that these relationships are far richer than simple transactional relationships, suggesting that personal social actions such as knowledge exchange and problem solving, mean that previously intermittent relationships are converted into ongoing relationships (Gibb 1997). Moreover, it is suggested that during this process casual relationships are turned into a means of doing business (Fuller and Lewis 2002). These authors therefore suggest that not only do the dynamic exchanges tend to result in more particularistic based relationships but that they develop from communal based exchanges into associative based exchanges based on instrumental rationality when they develop into a means of doing business. Therefore, whilst relationships may still be instrumentally orientated with the objective of gaining strategic information, they may also be particularistic in the sense that some higher level of reciprocity is expected from each individual than would be expected in a market exchange, hence, associative relations may be significant in these networks. This assertion is not fully supported, however. As Oh et al (2004) conclude, as social ties strengthen relationships move away from being purely instrumental towards having more affective elements. Oh et al (2004) believe the move towards more substantive rationality means the exchange will result in the most 'liquid social

capital' (p862). This finding suggests that relationships move from associative towards communal based exchanges and not the other way around like Fuller and Lewis (2002) suggest. These findings are interesting, if conflicting, as they both pertain to movements that could be described as operating within the particularistic orientation to action.

One must also be aware that in some situations relationships are subject to latency or decay over time. If ties decay over time as opposed to strengthen, it is proposed that this can lead to two other types of tie (Mariotti and Delbridge 2007). Firstly *vestigial ties*, where relationships have decreased in interaction and now no meaningful exchange is undertaken. The ties are inactive but do have potential for development in the future considering the background and history of their former partners, meaning that these ties can help to explain the formation of future relations (Steier and Greenwood 2000). Secondly, *latent ties*, characterised as embedded relationships which are currently dormant. Again, the parties may reverse this and reactivate and further develop the tie hence latent relationships can be described as exchanges that are temporarily suspended but enduring in nature (Mariotti and Delbridge 2007). Further investigation may shed light on under what conditions exchanges develop into or away from associative based systems. It also asserts the importance of social capital, suggesting that it will feature more highly in communal than associative arenas of exchange.

Blau and Scott (1963) believe that the structure of competitive relations may lead to a differentiation in the social structures that are visible in a firm. They cite the example of federal agents competing with each other for respect. They found that once differentiation and respect developed exchange relations became differentiated from competitive ones. Where respect was not gained from colleagues there was no demand for their advice and therefore they were not able to exchange for deference. This, they believed can relate to the organisation, where the outcomes of earlier competitive processes can lead to a differentiation which leaves some partners simply as competitors and others as exchange partners. This example demonstrates the importance of examining the historical context of the organisation in comprehending why some exchanges develop over time to exhibit particularistic features, whilst others remain universalistic in nature.

Again, there is little research to be found that specifically relates to relationships developments in family firms. Some research has been conducted in the area of entrepreneurship that may be of some use for informing family business research. Larson and Starr (1993), for example, suggest that during venture formation, networks pass through three stages of development. In the initial stage, the entrepreneur is interested in identifying the contacts that will be able to provide essential resources. It is in this stage that ties to family, friends and existing contacts are common and a large amount of time is devoted to identifying and establishing new ties. In the second phase, it is argued relationships begin to take on a more multiplex dimension with relationships developing from instrumentally driven contacts becoming more socially embedded. Larson and Starr (1993) also argue that at this stage the basis for exchange alters from a 'quid pro quo' system towards an exchange of reciprocity involving higher degrees of trust. During the third phase of network development according to Larson and Starr (1993) relationships are further characterised by an increase in volume and quality of information exchange. They also argue that exchanges during this phase become routinised with network partners. Other researchers have also concurred with this finding, such as Johannisson and Monsted (1997) who, over a six-year research period, found that ties that began strictly as business relationships became social relationships by the end of the period. These findings suggest that relationship development may be a two way process in family firms; with some research suggesting relationships develop from social orientations towards more associative, business resource related interactions whilst other research such as that conducted by Larson and Starr (1993) concludes that relationships are likely to become more socially orientated over time (in entrepreneurial firms). There is no consensus that exists regarding this relationship development, it may be a dual process, which is balanced between becoming more instrumental or more substantive depending on the influences on orientation to action at the time the relationship was instigated.

3.3.4 Concepts of Social Capital and Trust and the Family Firm

Chapter 2 argued that although social capital was implicit in exchanges, the levels and dimensions of social capital, and hence the benefits that may be

realised from each, were not explicitly defined in the framework. By examining the literature in relation to family firms in this area we may be able to make further suggestions as to what forms of social capital will be prevalent in each arena. Social capital is especially important to family firms, as Coleman (1988) asserts, social capital is a resource within a family that is intrinsic in the structure of intergenerational relationships, particularly between the parent and child. Further, due to the high level of social capital that exists in family firms, understanding social capital may help to further identify which exchange arenas may be dominant amongst these firms.

At the most basic level, families generate social capital. They are the foundation of civil society, fostering trust, relationship skills and moral values.

(Wilkinson 2000:07)

Social capital generated by family firms can both contribute to economic value whilst also enabling people to feel secure and underpin 'safe and sustainable communities' in which businesses can thrive (Wilkinson 2000:7). At the same time, however, it may also inhibit growth and stifle creativity (Adler and Kwon 2002). Whilst there are, of course, generalised benefits to social capital (as outlined in Chapter 2), there are also argued to be specific benefits to the family firm owner-manager and entrepreneurs. For example, information flows are believed to be enhanced by social capital, and information is a critical component of recognising entrepreneurial opportunities (Lasserre and Schutte 1995). Additionally, social capital is demonstrated to enhance the timing, relevance and quality of information (Alder and Kwon 2002). However, although social capital can indicate opportunity, it is not a direct predictor of it (De Carolis and Saporito 2006).

In its early use, the concept of social capital not only indicated its significance in communities, but also as a set of resources inherent in a family (Nahapiet and Ghoshal 1998). Bourdieu (1986) identifies obligations that arise as a result of the institutionally guaranteed rights derived from membership in a family. These social relationships within the family and wider community have been shown to be an important factor in the development of human capital (Coleman 1988). This said, it may be suggested that levels of human capital may be higher than levels of social capital in communal systems of exchange where family logics and relations could dominate. This is because in this system actors share a

bond, such as family ties, as opposed to belonging to a voluntary arrangement comprising of high levels of continuing reciprocity as would be seen under an associative system of exchange. It is accepted that social capital that is developed in one context such as a tie can be transferred from one setting to another, for example the transfer of trust from a family to a work situation (Fukuyama 1995), or the development of a personal relationship into a business exchange (Coleman 1990). This development of social capital therefore also influences the pattern of exchange:

Social capital developed in one context, such as ties, norms and trust, can often (but not always) be transferred from one social setting to another, thus influencing patterns of exchange. Examples include the transfer of trust from family and religious affiliations into work situations

(Nahapiet and Ghoshal 1998:253)

In these examples, both developments have meant a move towards the associative exchange system where exchanges are based on particularistic actions and instrumental rationality. The high levels of social capital witnessed in family firms may, therefore, suggest that social ties increasingly become organisation resources meaning increasing levels of corporate logic may be observed in these relationships. This presence would confirm the earlier assertions of Larson and Starr (1993) regarding the direction of exchange developments. This may be different in non-family firms where professional managers have less opportunity to bring in actors from their personal friendship network from fear of being viewed as favouritism (Carney 2005). However, as Hickton (2004) observes, despite these assertions there remains a distinct lack of data and theory to explain how families aid the development of social capital. Understanding social capital can hence help us to understand the dynamics of exchange movement in family firms.

Social capital is further cited as easier to facilitate for owner managers than for professional managers due to the fact that owner-managers have a long term outlook and tenure and therefore personal business contacts and networks are foreseen to extend long into the future (Miller and Le Breton Miller 2003). Moreover, owner managers have the authority that is needed to commit to transactions, for example, they are able to commit 'on a handshake', which due to the personal nature, may become more binding than arm's length

arrangements (Blyer and Coff 2003). Furthermore, Carney (2005) argues that owner managers are able to be more particularistic in decisions over who is in their network than professional managers who may be more forced to 'take on' certain contacts. This means that social preferences matter much more in the context of a family firm (Carney 2005). Once again, this confirms our expectation that particularistic systems of exchange will dominate the family firm exchange portfolio.

Despite all the conflicting research output regarding the effects and characteristics of network ties in family firms one is able to deduce that these firms' networks are a 'complex mixture' of social and professional ties 'all of which tend to contain both affective and instrumental elements, bonded by trust' (Anderson et al 2005:139). Trust has already been cited as an area in which the SoE framework can be extended. Here, we see that trust is an essential aspect of all family business networks. Yet we are still not privy to a detailed examination of what types of trust are present under different systems of exchange in the family firm and entrepreneurial contexts.

Granovetter (1994) argues that transactions emanating from membership in a social network rest on an 'axe of solidarity' which can take several forms, including ethnicity, kinship and community, all of which form the basis for interpersonal trust and ongoing reciprocity. Again, Chapter 2 identified that there are different forms of trust, and anticipated that 'thick' trust would be more prevalent under particularistic forms of exchange whereas 'thin' trust would dominate universalistic exchange systems. Authors have referred to family owned businesses as 'high trust' organisations (Jones 1983). This is owed to the fact that family firms are not governed by contractual obligations but by underlying informal, sometimes tacit, agreements and practices (Rosseau et al 1998). Rosseau et al (1998) identify that the type of trust visible in family firms is different from the 'calculative trust' that is seen to underpin many corporate transactions. In terms of organisation theory literature Rosseau et al (1998) relate the trust visible in a family as analogous to 'affective' (McAllister 1995) or 'relational' (Bigley and Pearce 1998) trust, where emotion enters the relationship between the exchange partners.

It may be true that, at the interpersonal level, the family hold a specific form of affective trust within their kinship network. Granovetter describes this unique

nature of kin relationships, a feature that Luo and Chung (2005) term unconditional trust:

Consider, for example, why individuals in a burning theatre panic and stampede to the door, leading to desperate results. Analysts of collective behaviour long considered this to be prototypically irrational behaviour, but Roger Brown (1965) points out that the situation is essentially an n-person Prisoner's Dilemma: each stampeder is actually being quite rational given the absence of a guarantee that anyone else will walk out calmly, even though all would be better off if everyone did so. Note, however, that in the case of the burning houses featured on the 11pm news, we never hear that everyone stampeded out and that family members trampled one another. In the family, there is no Prisoner's Dilemma because each is confident that the others can be counted on'.

(Granovetter 1985:490)

Davis (1983) is just one of the authors who believes that this unconditional trust and altruism is one of the most significant factors in providing competitive advantage for a family firm. Many authors also identify the extension of 'family' to other employees in the firm as promoting a sense of stability and commitment to these employees (Lee 2006; Stavrou and Swiercz 1998). Trust can raise efforts of siblings and, in turn, enhance firm performance and 'since trust induces the children to internalise the cost of their actions of the parents' welfare, it obviates the need for parents to monitor their children's work effort or to rely on incentive-based compensation' (Lee 2006:105). As Lee (2006) continues, the family may be in danger of failing if trust becomes low, in which case the agency problem would be exacerbated. It would be naive to assume, however, that unconditional trust is only advantageous and efficient; it can also be inhibiting and stifling for the organisation. By applying the SoE framework to analysis of family firms we will be able to examine the effects of unconditional trust in the family firm and develop our knowledge of how this impacts on the relationships that are observed within these firms. We may be able to decipher whether it is trust that affects the relationships that are held or whether relationships that are observed affect trust relations, and thus contribute to theory in this way.

This literature shows the significance of total, implicit trust within kin relationships. We can anticipate that family relationships will be situated within the communal exchange systems but they may also become business

resources and become associative exchanges. This holds interesting implications for notions of trust; whether or not instrumentally based or substantially based, high levels of trust are likely to be prevalent within kinship ties. This suggests that there is a possibility that high levels of trust will be similarly visible within both types of particularistic exchange arenas for kin relations. Similar to the concept of social capital, this previous research is not conclusive and therefore cannot guide us to anticipate any further the distinctions that may lie in types of trust between associative and communal exchange systems. This will have to be empirically explored.

3.4 Methodological Shortcomings in Current Research

Methodological applications appear to have undergone cyclical change in family business research. In 1994 Wortman commented upon the increased need for statistical measurement to enter the research field of family business. In 1989 Handler believed that there had been an 'overuse' of case studies within the family business research field including too many methodologies based on in-depth interviews and surveys. With the work of these two authors now well over a decade old, it is possible to see a dramatic reversal of these observations. It has been suggested by researchers such as Jorissen et al (2005) that prior family and non family research is at best limited and, further, that within this research the differences observed, between family and non family firms, could simply have been down to demographic differences in the samples selected. In the present day in the field, it is enormously difficult to find any academic research that utilises the case study design or in fact, any qualitative methods, to any significant extent. Perhaps this is due to the focus of the research changing, as Sharma (2004) comments, the dominance of family businesses on nations' economies is frequently cited as being the primary reason for research, aiming to establish the influences of these firms on their respective economies. From this we can ascertain that the primary reason for the regeneration of the study of the family business was in fact, positivist in orientation. This has led to calls demanding an increase in more case study work in the field (Bird et al 2002; Dyer and Sanchez 1998; Westhead and Cowling 1998).

Stewart (2003) also strongly advocates the use of ethnographic methods in family business research, acknowledging the importance of interviews but citing

that this method is not a way that can add to knowledge on how people actually behave. To improve our understanding of how people behave in these family businesses Stewart (2003) believes that business school scholars not only have to have an understanding of anthropological kinship theory but conduct ethnographies themselves. Further, calls for increased comparative research have been made: 'Comparative research is critical for the advancement of knowledge regarding family firms. Theory building is impossible if we are unable to make meaningful comparisons' (Dyer 1994:126). Dyer believes that these comparative studies should include studies comparing the dynamics in different types of family firms, such as, studies considering the differences between family firms that are family owned and family managed and those that are family owned and professionally managed (as this research does consider). Other academics have also called for studies to empirically ground their research when studying the importance of social relationships in small or entrepreneurial firms, something that has thus far been lacking (Curran and Blackburn 1994; Fuller and Lewis 2002). Moreover, there have been calls for cross-cultural studies comparing the dynamics of family businesses in various countries and across ethnic groups to be conducted (Donckles and Fröhlich 1991, Rothstein 1992). This research fills a number of methodological shortcomings found in the present research; firstly, the empirical study is empirically grounded and rigorously conducted, thus it has a solid foundation and is therefore able to contribute to theoretical developments in family business theory. Secondly, the methodology is based on comparative cross-country case studies and includes ethnographic observations, thus fulfilling calls for increased rigorous qualitative work in the field, again enabling contributions to theory building to be made. Cross-country studies such as the one presented in this thesis, are cited as a good way to vary the institutional context. Without examining the social structures that shape resource sharing studies may assume that, for example, particularistic ties are performance enhancing when these assumptions have not been empirically established (Luo and Chung 2005).

3.4.1 Research Setting: Wine

A number of studies have been carried out that pertain to relationships within the research setting of wineries. These studies may help us to anticipate

behaviour that may be observed in the wineries that form the empirical research setting. Competitor networks have been found to be highly prevalent within the wine industry, where this study is also situated. Brown and Butler (1995) endeavour to explain further the relationship that exists between entrepreneurial firms and their competitors and to look at the impact on performance as a result of their exchanges. They focused their empirical study on small to medium sized wineries that did not have an ownership affiliation with a large corporation. They did not find that any of the network-building activities were statistically related to profitability in the regression analysis conducted. However, they did find that the most important use of competitor networks seemed to be as a source of industry technical information for example grape growing techniques and winemaking. Though they did not find any conclusive data regarding competitor networks to increase market presence, they alluded to the fact that they would not find it surprising if evidence was found to support such an assertion in the future:

.....it is easy to imagine a situation or industry in which the most valuable use of competitor networks would be to create a market presence. For example the Independent Growers Association enables small stores to create buying power through coordinated purchases and a larger presence with the customers through cooperative advertising and common signage.

(Brown and Butler 1995:60)

Their findings suggest that it will be important for this study to closely examine the relationships of the local trade associations in which the businesses are active as these are suggested to hold an impact on the relative performance on the business. The assertions of increased presence that would be gained through growers associations is an interesting one and would suggest a high level of associative relations would be required to gain such a presence. It is also interesting to examine whether or not these initial assertions of Brown and Butler (1995) still stand in the US today as there has been a significant increase in output since their study was conducted so perhaps the collusion has increased, or, it may have become more competitive as more players enter the market and there begins a struggle to survive. It will also be significant to see if the characteristics of such relations hold over the three countries that are subject to study in this research; the SoE framework will facilitate such a comparison.

Brown and Butler (1995) further found a surprising relationship between investment in publicity and PR and growth. Despite it not being a focus of their study, the negative correlation that was observed was unexpected. They suggest that this negative correlation means the entrepreneur should spend their time on the technical aspects of winegrowing and other networking activities and leave the promotion of their wineries to trade and commerce associations. This was an interesting finding and again, highlights the significance that trade associations may play in small wineries. Despite the study being investigative in nature and having drawbacks in terms of its use of self-reported performance measures that are not as trustworthy as more objective performance measures, it is still considered to deliver highly significant assertions. It is due to these significant roles and effects involvement in trade networks are believed to play, that membership to such associations will form a highly significant part of the empirical observational research in this case.

The high level of frequency of kin relations in the wine industry has been widely reported and there remain important consequences for this in terms of the development of social capital, as Hickton (2004) explains: winery families often do not put further education as a high priority for their children as they frequently believe they can learn more on the job than they can in a classroom. Here, family relationships hold great value for the industry due to the fact that knowledge is literally passed through generations in the field. In a rare study of family influences on social capital within the wine industry, Hickton (2004) applies this finding to Coleman's (1988) conception of social capital (that social capital is a resource in a family that is intrinsic in the structure of intergenerational relationships); firstly, she states that children who did go onto further education had a greater foundation of knowledge from growing up on the winery over those children that did not. Secondly, she notes that 'hands-on' knowledge was important enough so that children had gained enough human capital from their parents that further education was not deemed necessary and was therefore often seen as a luxury in the industry. Lastly, she concluded that schooling was used to provide education to fill gaps in human capital. Social capital is therefore embodied in families and can increase the capacity and efficiency of a wine making family which may in turn, lead to a knock on beneficial effect for the industry in a particular area. Hickton's (2004) findings thus demonstrate that despite a clear lack of theory in this area, the wine

industry is an appropriate context within which to situate a study seeking further explanations of family influence in social capital, given the numerically dominant number of wineries that are family run world wide. There is certainly a strong impetus for further research to be carried out in this particular area, and a possible application / integration into the systems of exchange framework, especially as an explanatory tool, seems entirely plausible at this stage.

3.5 Contributions and Research Objectives

Gaps in the Literature & Contributions of the study

The apparent, and quite significant, 'gaps' in our knowledge identified throughout these two literature chapters allow for significant contributions to knowledge to be made. The gaps identified in the literature evaluation include a lack of understanding pertaining to the differing orientations to action in family firms and, related to this, there were also shortcomings that were identified in comprehending the nature of relationships within these family firms, particularly when aiming to consider all stakeholders in an organisations network and not simply either internal, external or kinship ties. The SoE framework was identified as an appropriate tool within which one may be able to evaluate relationships from a large number of stakeholders both internal to and external to the firm however, a number of gaps in our understanding within this framework were also visible. These included the lack of understanding of the links between different 'levels' of analysis that may be brought out in data collection. Additionally, although trust and social capital were assumed to be present within exchange arenas, gaps in our understanding of the nature of trust, particularly within the realm of family business research became apparent. Further, there remains a lack of understanding of the dynamic nature of exchanges both in organisation theory and within family business literature. This is currently reflected within the SoE typology which requires elaboration in order to reflect such dynamic nature of ties. Finally, significant methodological shortcomings were identified within the family business research that currently exists.

This research will make contributions to both organisation theory and the family firm literature in several areas. In the area of organisation theory a wide contribution of applying a conceptual model to an empirical setting is apparent; the usefulness and appropriateness of the framework will be tested and significant scope for elaborations to the framework have been identified. These proposals for extension to the framework allow for both conceptual and empirical contributions to be made. Conceptual contributions will be made in terms of the dynamic nature of exchanges and the context in which exchanges are situated. These are conceptual as the study is not longitudinal in duration and therefore conceptual elaborations are both necessary and appropriate. Empirical contributions will also be made in applying the analysis of research data to different levels of analysis, an ability that has been insinuated in the framework but not empirically tested. Further, the concepts of trust and social capital are investigated in more depth in each arena of exchange and therefore contributions to both empirical application and conceptual propositions can be made in these areas as to the levels and types of social capital and trust that may be dominant in each arena of exchange.

In terms of the family firm literature, few researchers have considered both intraorganisational and interorganisational ties, including kin ties, in one framework for analysis. Firstly, by applying the SoE framework we are able to contribute to the understanding of a firm's portfolio of ties as opposed to simply understanding their operation at one level. This will provide further knowledge in terms of how family firms may differ in the nature of relationships that they hold, a feature that has been highlighted as significant but not fully understood to date. Secondly, the study will contribute to the understanding of how family firms may differ from each other with regards to their portfolio of exchanges, examining factors that may influence their interactions for example, the level of involvement of the family in the business. These first two contributions concern the first facet of the framework which pertains to the nature of relationships. Thirdly, by conducting an international comparative study we will be able to comprehend whether contextual or social factors are influential in the differing exchanges that are observed. Applying this organisation theory and rigorous empirical research to the context of family firms is something that has been widely called for by family business scholars and will add depth and further scope to the field of family business research. Fourthly, the study makes a significant methodological contribution in both fields; seldom are studies of

relationships actually based on empirical first hand observations of exchanges. In the form of participant observation this study allows more in depth understandings and motivations of exchanges to be explored, based on first hand evidence, not as a re-told story as the vast majority of published studies in this area report. Fifthly, the research will aim to contribute to our understanding of particularistic relationships in family firms. This contributes to the second factor in the SoE framework concerning orientation to action. As identified in the literature, although research has discussed particularistic relationships in these firms, thus far research has not considered a further breakdown of this in terms of orientation to action. The SoE framework provides a tool with which to further understand these particularistic relationships on the basis of differing rationalities. It further allows us the opportunity to expand our understanding of situated logics in family firms and how these may influence the systems of exchange that are observed to emerge. This not only increases our knowledge of such ties but also enables more to be understood about the subtle dynamics of ties. We have noted that ties are multiplex however the generic banding of particularistic ties into one category would not allow for deeper understanding of tie dynamics as the movements are anticipated to be within such orientations but between substantive and instrumental rationalities.

Research Objectives

Having identified the contributions to knowledge that the study aims to make, the following research questions arise:

Broadly, the objective is:

To observe and identify the exchanges that take place in family firms and between family firms, other organisations, and individuals in order develop a better understanding of how family businesses utilise their network relationships.

And, more specifically:

- 1. To consider the influence of active family members on the exchanges taking place in the firm.**
- 2. To assess particularistic ties as the dominant form of exchange in these family firms and, further, to evaluate associative and communal exchanges in the cases studied**

3. To explore the effect of the local context on the tie portfolios that are identifiable in the organisations and to comparatively examine the consequences for the business of embeddedness in the local community.
4. To suggest, from observations and in depth conversations, the ways in which exchanges may develop and alter over time.

3.6 Conclusions

The extant literature gives rise to propositions regarding the nature and development of relationships that are held in the family firm. The literature suggests that particularistic ties will be the dominant form for exchange in these firms. Analysis suggests that the dominance of these ties will hold both benefits and constraints for business activity and development. Whilst it is likely that the benefits of information transfer and knowledge may be improved by having a high level of such ties, it is also likely that inhibitions on business activity may occur such as a constraint on innovation and creativity and a lack of access to diverse resources. This review also shows that the way in which family firms exchange with various stakeholders may be different to that of their corporate counterparts. It suggests that reputation and the family name will be tantamount to notions of success and this impetus, to be held in high regard, will significantly influence the relationships that these firms hold with their customers, suppliers and their local community. The local community was cited as having a crucial influence on the balance of exchanges that would be observed in a firm. The closer the family are to the local community, the more communal based exchanges can be anticipated. Also noteworthy was the vast level of trade associations operating in the agricultural and wine industry; it was anticipated that membership to such associations would influence the dynamic nature of exchanges and may contribute to homogeneity that may occur.

This chapter has shown that, beyond these theoretical arguments, very little is understood about the portfolio of relationships that family firms may hold, and how these firms may differ from one another. It is as a result of these observations and significant shortcomings in our knowledge that clear contributions can be made to the field of organisation theory and family firm literature. This chapter also demonstrated the appropriateness of applying the

SoE framework to the context of family firms. It confirmed the appropriateness of the proposed extensions to the model in terms of comprehending the dynamics of exchanges, understanding the influence of context as well as improving our knowledge of trust and social capital and applying levels of analysis to an empirical setting where it has not been before. This allowed for clear contributions to be set out and research questions to be identified. Following the identification of the research questions, the following chapter will provide an explanation and justification of the methodology used in the study.

Chapter 4

Research Methodology

From Design to Analysis

4.1 Introduction

Shortcomings in the literature identified family businesses as an appropriate setting for the research. The aim of the study was to undertake an in-depth assessment of the characteristics of networks and relationships within select family businesses involved in the wine industry. The initial approach of the research was to conduct case studies predominantly based on interviews coupled with small periods of participant observation in each business. This focus changed however, when the initial case commenced. It became apparent that in small, family firms, such as the initial case, participant observation would be the primary methodology, accompanied by interviews. As time passed in the field, I came to believe that relationships were impossible to understand if they were not observed for oneself and that there was often great disparity between what one described as happening in a relationship and what kind of exchange was actually occurring. In the final design three case studies were carried out with a total period of six months involved in participant observation in three 'New World' wine countries (Australia, UK, USA).

This chapter endeavours to provide explanation and meaning as to the selection and execution of the research design and methods utilised. In this chapter I also aim to explain various choices that I made throughout the research process and what actions I took on the basis of these decisions. The chapter begins with by advocating of the critical realist research approach whilst outlining the research position adopted for this study in terms of ontological position and claims to knowledge. Following this discussion the design (comparative case-study) and methodology (interviews and participant observation) of the study are presented, with justifications for their use provided and alternative methodologies considered. The role of my involvement in the research process

is also considered with reference to possible influences that I may have held on the organisations and the research process itself. The latter part of the chapter then turns to how the fieldwork was documented and how the materials collected were analysed. The chapter also considers issues of validity and reliability as well as ethical concerns raised within the study. It is due to this reflexive nature that it is necessary to document much of the process in the first person narrative.

4.2 Research Philosophy and Claims to Knowledge

There are two main forms of realism, empirical realism and critical realism. Empirical realism contends that through the use of appropriate methods, reality can be understood. Bhaskar (1989), one of the most influential critical realist authors, believes that empirical realism is 'superficial' due to its failure to acknowledge underlying structures that produce observable results. Critical realism has been developing for a number of decades in response to the flaws of empiricism and realism, reassessing the epistemological position, whilst retaining the ontological realist status of the former paradigms (Archer et al 1998). In line with this development critical realism has become increasingly influential in organisation theory (Tsang and Kwan 1999) as well as sociology (Sayer 2000), economics (Fleetwood 1999; Lawson 1997) and research methods more generally (Layder 1993; Mingers 2004).

When considering epistemology, critical realism acknowledges that social systems are inherently interactive and open. Contrary to the assertions of the positivist paradigm, in critical realist research the possibilities of measurement are viewed as very limited since, intrinsically, phenomena are meaningful and meaning cannot be measured and compared, only understood and described (Mingers 2004). Critical realism recognises that knowledge is dualistic and hence the investigator and the investigated are not independent of each other. This again runs contrary to the positivist contention that presents research as 'value free' (Remenyi 1998). Neither is it as extreme in its claims to knowledge as interpretavists who suggest there is no such detachment. Rather, interpretavist researchers are concerned with understanding the social world as it is, at the level of the subjective experience; 'it seeks explanation within the realm of the individual consciousness and subjectivity, within the frame of

reference of the participant as opposed to the observer of action' (Burrell and Morgan 1979:31). I, like other critical realist researchers, have to agree that as a participant in research we will ultimately have some effect over both actions and consequences in any observational setting however I think that if we are to contribute to understanding, it is important to (and we are able to), distinguish between our role as a researcher and our influences on the organisation and people that operate within it. I noted in my field diary any instances where I thought that I had particularly influenced the research direction in any way and reflected on why this was so. Additionally, the way in which these effects were aimed to be reduced was through the use of a variety of methods, hence allowing the triangulation of data.

Critical realist philosophy also recognises that social forces act upon and affect people's behaviour without them being aware of it (Saunders et al 2003; Ackroyd and Fleetwood 2000). Authors often, mistakenly, think that Critical realists hold a positivistic view of knowledge when in fact critical realism has a rich, pluralistic conception of what constitutes knowledge (Klein 2004). In critical realist philosophy we accept there can be no 'one' truth as both the observers and the observed are socially situated (Berger and Luckmann 1991). We believe that a certain truth can be gained through knowledge but it is more complex than positivists would lead us to suggest. There are four separate components to truth in critical realist philosophy; truth as normative; truth as justifiable by evidence; truth as correspondence between a proposition and states of affairs; and finally, truth as alethic, as being the cause of some phenomena (Bhaskar 1989; Mingers 2004). There is a noted difference between 'what part of the whole story is being told and what part of that I am actually understanding' (Wolcott 1994:348). This is not to say that reality does not exist, researchers will inevitably shape and select their findings, but they do not invent the physical entities that they write about (Watson 1994). It is clear that positivism reduces the complexities of the social world; situations are complex and unique to circumstances and therefore generalisations to populations of firms or industries are simply not plausible (Saunders et al 2003).

I find myself in agreement with Cepeda and Martin that 'all researchers bring some kind of conceptual framework to the research process. It would be unrealistic to suggest that researchers could or should enter the field devoid of frameworks or ideas about relevant concepts in their area of interest' (Cepeda

and Martin 2005:858). I also acknowledge that, whilst I tried not to let concepts and theories inhibit or bias my observations in the field, that they did inevitably influence what I observed and knowledge inevitably acted as a filter to observations made. Some form of conceptual structure was therefore deemed necessary from the outset, in this instance the use of Biggart and Delbridge's (2004) Systems of Exchange framework and other concepts from family business research, in order to express and frame my understanding at the outset of the research process and to document how this comprehension developed during the process of fieldwork and analysis. The conceptual framework enabled me to set out, broadly, what was to be explored and gave me material to critically examine during the overlapping phases of fieldwork and analysis.

The ontological position of critical realism is also appealing. The ontological position is both stratified and transformational. It is viewed as transformational in the sense that knowledge exists independently of humans and stratified in the sense that there are different levels of entities so experiences are linked with events and actions as well as deeper levels of structures, mechanisms and power relations (Archer et al 1998; Jenkins 2005). The objective of this form of social research is to provide explanation, 'get behind the surface of experiences and perceptions and to account for what occurs in terms of an understanding of connections at the level of structures' (Ackroyd and Fleetwood 2000:13). Thus this approach differs from the unsophisticated views of positivist thought that hails social reality as being comprehensible and realist in nature but instead presents three separate domains of reality that are distinct yet 'exceptionally coextensive' (Pratten 2000), these are the domains of the empirical, actual and 'deep' or 'real'. The first form of stratification is between mechanisms and the events that they generate and the subset of events that are actually experienced between these domains of the real, actual and empirical (Bhaskar 1989). The empirical domain is represented through experiences and perceptions, the actual through events and actions (causal powers that are activated) and the real domain is represented through structures, mechanism and powers. This final domain includes unrealised and potential power, recognising that once set in motion 'these powers continue to have an influence even if countervailing powers prevent this influence from manifesting itself', a feature described as mechanisms acting 'transfactually' (Ackroyd and Fleetwood 2000:14). The phenomena studied are, therefore, the structures and mechanisms that produce

empirical events as opposed to the empirical events or regularities themselves (Reed 2005). The second level of stratification is within the realm of objects themselves 'where causal powers at one level can be seen as generated by those of a lower level' (Mingers and Willcocks 2004: 6). This stratified ontology highlights an important difference between realism and post structuralism that believes everything starts with language. Critical realism believes that language is important but that there are understandings of me / not me before language (Mutch 2007). Using critical realism I was therefore able to consider the effects of discourse without fear of a 'descent into discourse' as is the common scenario with social constructionist research (Harvey 1996:85).

Critical realist ontology is also transformational due to the fact that societies and institutions continue to exist only because agents reproduce and/or transform those structures they encounter in their social actions (Ackroyd and Fleetwood 2000). These structures may not be directly observable and may have to be theoretically constructed and modelled in a process of conceptual abstraction (Reed 2005). There are reliable procedures for producing knowledge of things and events however, unlike positivistic laws, these theories are continually open to revision (Ackroyd and Fleetwood 2000). There have been claims from authors such as Klein (2004) that there is 'inconsistency' with critical realism's ontological position. Often this is due to a lack of explanation and understanding as opposed to an inconsistency itself:

What it [critical realism] does not accept is those versions of interpretivism that maintain the social world is exhausted by individual consciousness. Rather it maintains there is a real social structure or system which has emerged from the knowledgeable activities of individuals but is not distinct from such activity. The social world is the result of the interaction between these two systems – the people and the structure. Social structures both enable and constrain social activity and are reproduced or transformed by such activity.

(Mingers and Willcocks 2004:151)

The issue of causality arises as a result of this ontological debate. Opponents of critical realism cite that causality is deterministic, however, critical realists do not use this notion in its classical sense, instead arguing that causality is always multi-faceted with events resting on the interplay of many causal mechanisms operating at different ontological levels (Mingers 2004). As Reed (2005) states;

'if the inherent causal powers or capacities of underlying structures or mechanisms are activated in particular circumstances, then they may generate corresponding empirical events and outcomes' (Reed 2005:1631). Critical realism does not suggest that knowledge is defined, rather that it is contestable and subject to continual revision and, again unlike the naive notion of positivism, the goal is not to generalise but to 'posit a mechanism, which, if it existed, could account for the phenomena singled out for explanation' (Lawson 1997:212).

Causality also affects the methodology to be employed in critical realist research. It is due to the way that causality is conceptualised as being multi-layered that research strategies will be neither deductive or inductive but be consistently reflected upon and revisited throughout phases of analysis. Some critical realists have advocated the use of both quantitative and qualitative research techniques hence defending methodological pluralism (Ackroyd and Fleetwood 2000). They also recognise the existence of a variety of objects of knowledge, each of which requires different research methods to come to understand them. However, despite recommending the use of observation techniques where appropriate, this approach also recognises 'the inevitable fallibility of observation, especially in the social world, and therefore requires the researcher to be particularly aware of the assumptions and limitations of their research' (Mingers and Willcocks 2004:8), in the sense that it is possible data will be reduced to simply being discursive. As Delbridge (1998) asserts, forms of data collection are subject to various form of interpretation but this should be treated as a challenge rather than a fundamental problem that undermines research. I have combined both interviewing and observation in an attempt to avoid 'fallibility' and take into account methodological pluralism, whilst simultaneously improving the rigour of the research. Causality also relates to the popular area of contestation that is the relationship between structure and agency. Interpretavists believe that realists do not pay enough attention to the complex interplay between structure and agency. I, like Reed (2005), would argue that critical realism does not collapse either element into the other but that 'each element in the structure/agency matrix be ontologically and analytically separated so that the dynamic interaction between them, over time and place, and its longer term institutional consequences can be mapped out and explained' (Reed 2005:1663). Hence, critical realists believe that every study must be contextualised as the way in which causal powers will develop is

dependent on the contextual conditions (Tsoukas 1994) along with the effect/event and structure (Sayer 2000).

In the following discussion I aim to demonstrate the ways in which I have applied the philosophical assumptions of critical realism in the approach to methodology, the process of fieldwork and throughout the stages of analysis.

4.3 Research Design

The design selected for the research was in-depth case studies in order to ground explanations upon thick description (Geertz 1973) and due to the acknowledgement that context is stressed not stripped (Silverman 2004). As stated, critical realist philosophy treats qualitative and quantitative methodologies as complementary, however this research emphasises the value of qualitative work due to the fact that it can allow us to explore notions of causality as opposed to the drive to produce generalisable results. It was also considered appropriate to apply the case study approach to the research objectives of this study, which required knowledge of both the particular phenomenon and the context in which it is set. As set out at the end of Chapter 3, the research questions, which aimed to 'explore' 'observe', and 'suggest' were deemed particularly appropriate to lend themselves to qualitative evaluation. Moreover, qualitative research is advocated as suitable for areas that are relatively new in research (Jenkins 2005), as Chapter 3 demonstrated this study clearly is.

4.3.1 Case Study Design

The case study approach is an established method in the study of organisations (Yin 2003), commonly cited as allowing the researcher to answer the 'how' and 'why' questions (Cepeda and Martin 2005; Saunders et al 2003; Silverman 2004). It can be said that despite there being no one commonly accepted definition of a case study, there are a number of accepted features; understanding real life context; exploring processes and events, a highly flexible design and the incorporation of a number of methods – including secondary data, qualitative data and observational techniques. In this research these were

achieved via the use of industry analysis, analysis of qualitative interview material and participant observation techniques. In this instance the case study is treated as a research design due to the fact it involves a number of different methods (Stake 1998)

Cases are a form of qualitative research that are acknowledged as being particularly appropriate for areas in which research in its early, formative stages, in areas that are not well documented (Bryman 1989) and where the context of the action is critical (Cepeda and Martin 2005). As highlighted in the literature evaluation, this research gap could easily apply to the rapidly changing and landscape of the agricultural industry and the developing viticulture environment in the UK and in the rest of the new world where little research has so far been produced. There have also been calls for an increase in case study work in the field of family business research (Astrachan 2003; Bird et al 2002; Dyer and Sanchez 1998; Westhead and Cowling 1998). Additional support for the case study design in the context of this new area of research is the fact that it allows both the observation of peoples' behaviour and also seeks to understand the actors' meanings of context (Saunders et al 2003), hence providing meaning to behaviour. For example, there is an assumption evident in the family business literature that within the business, intergenerational relationships are positive and reciprocal, reflecting the strength of the family unit (Holliday and Letherby 1993). However, an in-depth case study of this in its context may highlight that although relationships may appear reciprocal, in reality many aspects of strength actually implicate control for other members of the family. By using a case study approach it allowed me to look in depth at the significance, implications and understanding these intergenerational relationships have on both the family and the business as a whole. Similarly, my research observations note that different family members held varying opinions and beliefs concerning these issues and hence behaved in different ways accordingly, demonstrating that the behaviour of one family member cannot be taken out of its context.

For this study the identification of a 'case' was formed at an organisational level and cases were defined in terms of the accepted definition of what constituted a family business (as discussed in the literature review); primarily that there were two or more family members involved in the day to day running of the business. The case was also identified as being appropriate where viticulture was the family's current primary source of income. The selection of the cases was

based on purposeful sampling (as will be discussed further in selection and participants) and the basis of theoretical 'fit' with the research questions. The research was comprised of multiple case studies in which case comparison could be facilitated, following Yin's logic of replicability in which the same approach is repeated in multiple cases. Shaw (1999) believes the opportunity of multiple cases to provide interdisciplinary evaluation to be an improvement on most current case evaluation. Briefly, with regards to units of analysis, despite the form of the case study being the organisation for the analysis of a specific issue (that of situated activity according to Layder's 1993 research map), other units of analysis are also considered; such as that of the social group; the family and other inter-organisational groups. In the context of Layder's critical realist research map this means the focus was on the empirical domains of the situated activity and setting, with attention to context (as discussed further in section 4.6.3 concerning analysis).

Promoting case study research from a critical realist perspective, Connolly (1998) draws on the work of Sayer (1992), arguing that the task of intensive case study research is to identify and analyse social processes and practices that cause change. Connolly (1998) argues that detailed descriptions can uncover the meaning people 'attach' to their own and others' behaviour and thereby 'begin to unravel what causes an individual's or a group's behaviour' (p124). Connolly (1998) conducted qualitative research from a critical realist perspective, incorporating tools of ethnography, to examine causal relationships operating in the cases being researched as opposed to testing whether or not these relationships exist elsewhere. Like Connolly, as a critical realist researcher I aimed to examine causal relationships in the cases studied, however, I also acknowledge that in an attempt to produce such an analysis that I will, inevitably, draw on accounts of causal mechanisms operating in other cases produced by earlier studies.

Case study research has been subject to heavy criticism from some, particularly postmodernist, schools of thought. Atkinson and Delamont (1993) accuse case study research of being 'fetishistic', lacking 'methodological sophistication' and define its practitioners as guilty of a 'lack of scholarship'. This view is a vast oversimplification of case study research, a statement that Shaw (1999) terms as 'elitist disdain'. Other, more exact, questions have been raised about the design by, for example Hammersley (1992) who believes we must be very

careful not to over-estimate the benefits of case study research and that problems emanate from the fact that any case is 'descriptively inexhaustible'. I accept that a researcher will never exhaust the research site and that certain amounts of bounded rationality may occur; fieldwork is labour intensive, stressful and can involve many access difficulties and a mountain of data analysis for one lone fieldworker to cope with (Miles 1979). However, I contend that if a logical course of action is followed and the study is focused appropriately, cases can yield highly valuable results (Hakim 1988; Yin 2003).

The issue of replicability is also raised. Case studies are criticised for lacking statistical reliability and validity (Gummesson 2000). However, as Smith (1989) argues, if the research problem necessitates rich, deep information then a small set of case studies are appropriate providing that generalisability is not assumed. Despite the rejection of positivist law-like generalisations being generated the concept of 'fit' was considered important. Guba and Lincoln (2000) describe 'fittingness' as the degree to which there is transferability from one case to another and how congruent one is with another. Organisations were selected on the basis of relevance of research questions and therefore involved both purposeful and theoretical sampling. This was not developed separately from the concept of 'fit', rather that both concepts and requirements were made in conjunction with one-another when considering potential cases to incorporate in the study. The concept of fit was of particular importance when it came to selecting additional 'expert' interviews that were to be conducted outside of the immediate organisation. As is detailed in section 4.5, a certain degree of pragmatism was required when selecting both organisations and participants.

4.3.2 Comparative Research

With the increase in globalisation and technological advances, the importance of conducting cross-national research is becoming ever more significant. The advantage of using this type of research design in this instance is that cross-country data allow comparison across more established industries and differing institutional contexts. As will be outlined in the industrial review, the UK viticulture industry is in its infancy whereas the US is more established, going through second-generation transitions at present. Finally, the Australian wine

industry is a generation further on, primarily in its third generational transition. Comparisons such as these will be useful to suggest how the institutional context of the UK may be moving to mirror or move away from these comparators in the future and what may happen to networks as they develop. The cases were selected to produce contrasting results but for predictable reasons; a theoretical replication.

As with any research design there are those who believe comparative research is inherently problematic. At their most extreme, opponents of this type of research criticise it for having an 'unscientific feel' however, as many advocates would suggest, a well constructed case can enable a researcher to challenge existing theory (Saunders et al 2003). It is also suggested that single cases in each country would result in a position in which generalisations become untenable, however as stated on numerous occasions, the purpose of this critical realist based research is not to generalise to a population of businesses but make a theoretical contribution to knowledge and, as such, by comparing two or more cases 'the researcher is in a better position to establish the circumstances in which a theory will or will not hold' (Eisenhardt 1989; Yin 2003).

Dyer and Wilkins (1991) have criticised comparative research for providing less attention to context in favour of selecting ways in which cases can be contrasted therefore potentially losing contextual insight in favour of comparison. Due to the need for contrast, the researcher may focus on the specific contrastable points from the outset, when an open-ended approach may have been more appropriate (Bryman and Bell 2003). Dyer and Wilkins' arguments are not regarded as tenable for critical realist researchers. For example, Esping-Anderson (1990) and Rose (1991) both use empirical research to demonstrate that it is possible to be sensitive about local context but also observe similarities between societies. Bryman and Bell (2003) suggest that the way to overcome this is to 'allow the distinguishing characteristics of cases to act as a springboard for theoretical reflections about contrasting findings' (Bryman and Bell 2003:60). I dealt with these issues in the research undertaken by making constant reflections throughout the research itself, looking for patterns that were replicated across cases as well as distinguishing characteristics based on a core set of analytical categories that emerged as important throughout the period of observation. In fieldnotes and subsequent analysis thoughts were noted about

possible similarities and differences within and between the cases as well citing possible reasoning for these. This process was constant and iterative, starting with case one and continuing throughout the various phases of analysis.

There are other features of comparative research which, if not dealt with effectively by the researcher, may become detrimental to the outcomes of the research. For example, nationality must not be used as a substitute for culture (Bryman and Bell 2003). Further, as May (1993) notes, it is important that no matter how similar the elements are that the researcher is comparing, that the cultural, political and societal differences are not ignored or glossed over if the researcher aims to provide a systematic understanding and explanation. As discussed, critical realism acknowledges the vital importance of context hence these issues were neither glossed over nor ignored, in fact significant attention was paid to these issues as documented in the discussion chapters. Context emerged as highly significant as a mediator of exchange relations throughout the data gathering process (see chapters 6 and 9 in particular). Adler (1983) and Winch (1958) note that language difficulties can cause translation and validity problems. Despite this feature being less problematic for countries in which English is the primary language (Lawrence 1988), as in all three cases in this instance, there were semantic differences of which to be aware, as well as technical terms varying widely in some areas. In the USA case there were some Latino employees whose command of the English language was not as comprehensive as other interviewees. Once again these differences were noted at appropriate points in the fieldwork diary.

4.4 Research Methodology

4.4.1 Interviewing

Interviewing has been dubbed the art of modern social research providing both 'rich and detailed data' (Burgess 1984:103; Ackroyd and Hughes 1983). Interviewing can be described as the verbal counterpart for participant observation (Corbetta 2003) and is rarely used in isolation (Mason 2002) as the use of one method is said to reduce the replicability of the study (Handler 1990). The interview method was selected due to the desire to gain actors' opinions and to understand how people view the world in which they operate, their

interpretations (Patton 1990) and their perceptions, aiming to 'understand them from the inside' (Corbetta 2003:268). With regards to the epistemological viewpoint of critical realist research, such as this, the researcher cannot be viewed as detached from the organisation but the researcher will inevitably affect the outcomes of the interview and analysis process (Bryman and Bell 2003).

One of the most commonly cited advantages of conducting interviews is the flexibility of the approach. This was particularly important in the research as it enabled me to focus in on points of particular interest and ask the participant to elaborate, allowing for deeper exploration of meaning (Arksey and Knight 1999; Saunders et al 2003). The ability to generate deep, descriptive, interviews and elaborate on points of interest was borne out of the length of time spent in the field and the knowledge I had gained of those actors during that time. Related to this is the fact that extra information was yielded that would certainly not have been accessed via the utilisation of a survey method; such as passing comments that were considered highly interesting on behalf of the researcher but that the interviewee may not have considered important and therefore would not have been put down in a written survey response (Nachmias and Nachmias 1996; Stake 1998). The observation of non-verbal communication was also an element that was continually noted and would not have been apparent in non face-to-face communication (Creswell 1998), a feature that was not only applicable to the interview process but also ended up forming a significant part of my daily field observations in each case.

The style of interview conducted was, in the main, semi-structured enabling the interviewer to have more latitude to 'probe beyond the answers' (May 1993:93). This style of interview allowed the flexibility to expand on any pertinent issues raised during the outline of question designed and it also allowed me to tailor specific questions to individuals that had been raised as a result of my daily observations. Multiple case study researchers frequently use interviews, such as in this instance, due to the fact that by using semi structured interviews certain elements of cross-case continuity can be ensured, enabling clearer comparisons to be made whilst simultaneously allowing flexibility and the development of specific points of interest. For these semi-structured interviews an outline of the topics I desired to be covered was constructed and whilst

ensuring certain questions were raised. Here the concepts of flexibility and understanding were key (see Appendix 1 for interview schedules).

Frequently when on-site, in all cases, instances arose where one-to-one conversations developed into impromptu interviews. In these situations the interviews could be described as unstructured in nature and did not always involve recording verbatim but note-taking instead. These interviews allowed interviewees to talk about their subject in their own frames of reference. These interviews were often used as points of clarification on earlier passing comments or interactions observed in the field, allowing for greater understanding of the subjects point of view of certain events or circumstances (May 1993).

Despite these commonly accepted commendations of the interview method, there are inevitable shortcomings of using this approach. In an attempt to produce an objective interview where the researcher aims to gauge depth and detail of a subjects view and to represent these views as consistently as possible with the subject's meanings, Silverman (2001) suggests that the researcher represents a romanticised view of what an interview in reality actually consists of. As Miller and Glassner identify, 'interviewees sometimes respond to interviewers through the use of familiar narrative constructs, rather than by providing meaningful insights into their subjective view' (Miller and Glassner 2004:127). Denzin supports this assertion; 'the subject is more than can be contained in a text, and a text is only a reproduction of what the subject has told us. What the subject tells us is itself something that has been shaped by prior cultural understandings' (Denzin 1991:68). Whilst this may be true of studies that solely rely on interviews to construct their data this thesis makes use of the lengthy time spent in the field to minimise this effect of the subject just being what is represented in the interview data. Over time the participants' characters were built up through observational notes in a day-to-day working environment and therefore by the time interviews were conducted there was a strong rapport with those participants and a good understanding of their character had been developed.

In line with the concern of inhibited understanding is the criticism that due to the constraints on length (an interview cannot be infinite), inevitably the language used in an interview can prevent a full story from being told. These stories are

further 'fractured' during the phases of categorising, coding and analysing resulting in stories only being told in parts and not in their 'wholeness' (Charmaz 1995). Further to this, numerous levels of representation occur right through from the initial experience of the interview itself through to transcribing, analysing then reading (Miller and Glassner 2004). Again, I think that knowledge of these possible constraints enabled me to deal with the material collected in a manner in which these distortion effects could be minimised. Additionally, the fact that dual methodologies were used in the study, not just interviewing, aided the understanding of the stratified ontology as interviewing accessed the empirical domain; the perceptions and experiences that the interviewee held in their mind, whereas in observation the actual domain was being accessed, observing the events and action which led to the causal powers being activated and providing a good insight into how these fractured stories may have developed; using the actual to help explain and understand how these perceptions may have emerged. This is not to say, however, that observations that these analyses and observations are necessary or sufficient to establish causal relations, recognising that domains are coextensive yet contingent (Pratten 2000). Yes, the length of an interview was a constraint but prior time spent in the field with the participants allowed a more focused interview to take place. Further to this, stories that were perhaps not completed fully in the formal interview could be picked up on again during participation, often at coffee breaks and the like (and, further, actual realities could be recorded in observations and compared to these retold stories). Despite the inevitability of stories being compounded in phases of analysis it is hoped that the effect of this was limited due to the fact that only the researcher dealt with the data and further that 'fracturing' was partially avoided in the coding and categorising phase due to the fact that the material was dealt with 'by hand' as opposed to through a mechanistic technological device (discussed further in section 4.6).

There are both practical and epistemological concerns with how interviewees respond to the interviewer, based on who we are for example with regards to age, gender, class (in my case, female and younger than the vast majority of participants). It is believed that this issue may be exacerbated when we study groups with whom we do not share membership (Bryman and Bell 2003). It is noted that this could apply to the study of the family where social distance is inevitable. Before entering the site it was acknowledged that interviewees,

particularly within the family, may 'close ranks' possibly deliberately misleading me. However, I was also aware of the fact that non-family employees, despite assurances to the contrary, may not believe that I was not going to report back to the family any stories that I had been told. In fact in both the American and Australian cases conversations took place over 'who I really was', who I was working for; the family some believed or MI5 was another suggestion! I believe that in this instance the duration in the field helped to reduce this possible lack of confidence in the researcher; many of these conversations took place at the pub after work and rather than being defensive about it I went along with their games 'yes, I have to admit I really am working for the FBI'. Clearly, as time passed, confidence built and eventually, I was told more and more accounts of events and experiences and suchlike. In the first case study, in the UK, the family did at first tend to reply with the answers they thought that I desired to hear. In the end, just being involved in everyday life became a routine and their confidence in me appeared to grow. However, there were certain members of the family who remained unsure, such as the husband in one family whom, every time we were alone, said 'so.....I still don't understand what you're doing here, what you're hoping to find out'.

Miller and Glassner (2004) note that when a lack of membership in any particular group arises, the researcher may not know enough about the particular phenomena to ask the right questions. I was aware of this possible constraint and studied the wine industry in some depth in order to gain the most understanding possible before entering the site (including many taste tests!), so when a conversation about a particular wine or process arose, I was able to observe and understand that interaction and participate when required. Additionally, the fact that I had an agricultural background became highly important in the field context, particularly in the first instance and again with both other cases. In fact, it became an important feature in establishing a relationship with the leading women in two of the cases, our shared knowledge and keeping of horses was very significant in breaking the ice and having some common ground in which to establish conversation and commonality in the early days. Knowledge of the industry enabled me to ask the right questions and participate in the every day activities of the family and the business; this is not to say however, that there was not a vast amount of knowledge of the industry still to be learnt during my time in the field, but it was a good starting point and also demonstrated willingness to learn to my immediate superiors. These issues are



not, of course, restricted to the issues of interviewing but to the everyday occurrences in observational fieldwork, a method to which I now turn.

4.4.2 Participant Observation and Experiences of Fieldwork

Once a tool for studying different societies, observation is now 'one of the main tools for analysing everyday actions in modern society' (Corbetta 2003:235). The technique involves researchers being directly involved with the object that is being studied and it is this embedded approach into the subjects' social world that makes the technique so appealing to many field researchers. The technique was largely inspired by the Chicago School of sociology who advocated the practice in order to gain first hand knowledge of a specific context, along with other proponents of the approach who promoted its ability to produce 'thick description' of a particular culture under study (Geertz 1973). It is the provision of this rich, detailed data that also made the participant observation approach so appropriate to the study. The nature of the research topic lent itself to gathering data in the setting itself. Due to the fact that I desired to look at relationships I felt that observing interactions in their natural setting was paramount, it is widely accepted that what people say or believe a relationship is and is based upon, differs in reality from how they behave. Only by being immersed in a research setting can you go any way towards understanding what is going on in that particular setting. When coupled with interviews therefore, the combined approach allowed me as the researcher to look at the discrepancies between what one said and what I actually observed happening in the setting over a considerable period of time. The combination of observation and interviewing also allowed exploration beyond the rhetoric generated from interview data and as such;

Observation guides us to some of the important questions we want to ask the respondent and interviewing helps us to interpret the significant of what we are observing. Whether through interviewing or other means of data gathering, we need to place the observed scene in context, searching for the potential positive or negative sanctions, which are not immediately observable but may be important in shaping behaviour.

(Whyte 1984:96)

Had either of these methods been used singularly then the outcomes during analysis may have been different, as only one angle of the lens would have been viewed (the observer's view or the interviewee's view) which is why a combination of methods is said to improve the robustness of a study (Adler and Adler 1998).

The flexibility of the approach also made participant observation appealing for the study. If the research areas that had been identified from the literature review did not appear significant, fruitful or indeed practical, then participant observation allowed a change in focus of research areas. Fieldwork then becomes a constant process of reflections of the focus of observations (May 1993). This certainly was the case in the fieldwork that I conducted and was particularly beneficial in the process of reflexivity. For example, in the first case I was aiming for interviews to dominate the approach and participant observation to come secondary to these in depth interviews. However, it quickly became apparent that this would not be appropriate. Firstly, the participants would have seen me as 'getting in the way' and quickly dismissed me, had I not been willing to participate fully. In both the UK and the USA I undertook the observation at the time of harvest and therefore entered the organisation at its busiest period. In the USA the role of participant was undertaken as a 'harvest intern: lab oenologist' along with two other seasonal cellar interns so my job as intern was pivotal to the organisation itself. Secondly, by participating fully I gained legitimacy in the organisation and this was true of all cases. When participants saw me as getting involved and working just as hard as them in the day-to-day work they were more willing to help when it came to my research and get involved themselves when it came to conducting interviews and the like. Additionally, throughout the cases research questions were refined and extended; new avenues of interest became apparent such as the influence of the family on the HR process, a facet which became particularly significant but which I had not previously considered before entering the research setting. Observation is also particularly relevant to my research area as it is said to be suited to new research areas, such as the family business, and also is cited as being advantageous to studying areas undergoing change – such as the viticulture industry (Jenkins 2005).

4.4.3 Reflexivity

Reflexivity was noted as being key to the process of conducting effective participant observation. I continually aimed to interpret people's behaviour in their environment, throughout and in-between all cases. Understanding is believed to increase by considering how one is affected by the social scene, what goes on within it and how people, including oneself, act and interpret within those social situations (May 1993). The most significant requirement, therefore, is for the researcher to be aware of the roles we are adopting and awareness of how others perceive us, hence requiring us to be honest and open about our fieldwork roles (Jenkins 2005), therefore, 'rather than engaging in futile attempts to eliminate the effects of the researcher, we should set about understanding them' (Hammersley and Atkinson 1983:17). Attempts were made throughout the process to document my thoughts, feelings and choices that I had to make in the research setting regarding involvement issues, throughout the process. I am in partial agreement with Hammersley and Atkinson (1983) in so far as I do believe that we should set out to understand our influence on the research setting, however, I do not think that attempts to eliminate the effect of the researcher are 'futile'. Indeed I believe that we must be aware of possible influences in the setting and engage in a thoughtful debate with ourselves as to how to act on these influences. I personally believe that by participating fully in the setting there was no way that I was not going to affect actions or interactions as if I had not been myself then I would not have been a true participant, however, I do think that a large number of these effects were due to me physically participating in the day to day operations of the business and not simply observing participants' behaviour. That said, I did have to make choices and decisions regarding observational notes and where these were made they were clearly documented in my fieldnotes hence adopting a position somewhere between a 'Martian' and a 'convert' position as described by David (1973:333). For example In America and the UK, I also participated in many family activities outside of 'work'; dinner after a long night, family nights out and even to Grandpa's birthday dinner. I was aware not to be perceived by other workers as getting too close to the family as otherwise they may have believed that I was being treated favourably and may not divulge as much information to me for fear that it would be reported back to the family. Hence, I did make conscious decisions of 'omitting' information in an attempt to 'control' certain situations or,

rather, simply not make situations within the workplace arise that may have influenced other employees' attitudes towards me.

There are both practical considerations and open criticism of participant observation methods that tend to stem from differing theoretical stances. One, perhaps more practical concern is that of overt or covert observation. Despite the clear advantages of covert observation, losing what Labov (1997) termed the 'paradox of the observer' for example, covert observation was dismissed as a method of research not only due to concerns over its ethical stance but also I felt that the advantages gained from being an overt participant, such as the ability to interview participants formerly, outweighed the advantages of the perceived paradox. Additionally, it is believed that the longer the overt researcher remains in the field the more likely it is that behaviour will return to normal, as the researchers presence becomes more familiar (Corbetta 2003). Of the three cases that I undertook and in each instance it took a varying level of time to become 'accepted' into the organisation. For example, in the first case the firm was very small with just two main participants and casual workers, in this instance I was accepted quickly due to the lengthy time I spent with just these two individuals, particularly as their home was also their place of work. In America I was also quickly acclimatised – I was undertaking the position of 'lab intern' and the job was very demanding both physically and mentally; it took a few weeks to prove that, although I was not being paid, I was determined to work just as hard as everyone else, and for this I was rewarded with respect and trust from other employees. In addition to this because the job was an intern position, and there were two other 'regular' interns, that is how the other employees viewed me, to them I was a co-worker and 'one of the interns' (as I was often referred). In Australia it took a little more time to be accepted into a 'group' as there was not a high amount of teamwork that went on in the organisation. However, due to the lack of an on site manager, the workers appeared to act as they would within the first working week. I had a stronger affiliation with some workers than with others, for example the lab and cellar workers, as I had experience in this area and so could participate in their activities. Moreover, due to the fact there was no manager present, the workers felt that they could ask me anything they liked and I answered honestly and they quickly came to see me as non-threatening (partially attributed to the fact that I was young and female it seemed). In this instance, therefore, I do not think that there would have been any advantage of conducting the research covertly. The

fact that it was conducted overtly means that I keep in touch with a lot of the participants via email and I often get updates on what is happening in the organisation, a useful source of information during analysis.

With regards to more theoretically orientated criticisms of observation, Porter (1993) argues that there is an inherent difficulty within any type of ethnographic study and that is one of the relationship between structure and agency. Porter argues that approaches seeking to describe social situations can lead to a one sided interpretation of individual behaviour without necessarily comprehending the influences of social structures. Working with a critical realist framework on multiple cases can help to counter this possible bias. Critical realism places emphasis on both structure and agency and places context as key in understanding any research data, as Delbridge states, the 'field' comprises a setting in which the research subjects are social agents and act towards things on the basis of the meanings things have for them (Delbridge 1998). I was particularly mindful not to be constrained by the pre-conceived ideas and areas of research that I had entered the field with, rather to bear them in mind at first but also attempt to absorb as much information as possible about the research setting. By illustration, as soon as I entered any research setting I made a note of physical settings and attributes. These features often became key in relation to later observations and interactions such as the division between management and employees. Furthermore, observations were made with regards to social settings (descriptive notes with regards to company set up, employees roles, incomes generated and the like); as well as both formal and informal interactions. Further to this, social actors' interpretations formed an important part of both fieldwork notes and interview material, in an attempt to understand actors' motives and views and as an attempt to avoid my own sole interpretation of their understanding and instead to gauge their understanding of their own actions.

Finally, both a theoretical and practical concern of participant observation lies with the ability of the researcher to carry out such observation and select and observe the relevant phenomena. It is therefore accepted that the researcher will omit a vast range of information, according to their pre-established beliefs and life experiences leading to claims of bias (Delbridge and Kirkpatrick 1994:43). As well as attempting to gather data in a range of areas, as described above, it is accepted that reflexivity, theory and data must be at the heart of the

observation process; recognising that we bring to the research our own experiences and that there is a constant interaction between theory and data that cannot be separated from one another (May 1993). Nevertheless, it is undeniable that, due to bounded rationality, a certain amount of data will be omitted and one must be selective when taking notes. However, I firmly believe that the benefit of having access to rich data by far outweighs these potential biases. This raises the issue of replicability and the 'non-standardisation' of the procedures used in participant observation. As there are no universally standard ways of conducting participant observation, studies cannot be directly reproduced: 'without replicability we lack one of the basic requisites of scientific research' (Corbetta 2003:261). The issue of data validity is discussed further in section 4.7.

4.5 Research Access, Selection and Participants

4.5.1 Research Access and Organisation Selection

Initial experiences of seeking access to the field were positive ones. The method was to send individual letters, personalised to the target firm and await a response. Interestingly, the first letter sent gained a reply instantly via email, where I was informed that I would not be able to use the firm as part of the study, not because they were not interested in research but due to the recent rise in demand they had seen for researchers applying to their firm; they had a long line of academics wishing to study them, from a range of disciplines. This confirmed to me the increasing interest in the context of study, even whilst at the first case, in a smaller firm, a number of questionnaires were received, overwhelmingly from geography students studying the subject of agricultural diversification activities. The second firm that I contacted called me to express interest in the study (for a copy of the letters sent to negotiate access see Appendix 2). I requested an informal chat so that they could ask me any questions and address any concerns. The meeting took place a few days later and the fieldwork started almost instantly, becoming the first case for the study.

Access to the USA and Australia proved more difficult than gaining access in the UK. It appeared that there were a number of reasons for this; primarily that it

was not possible for the prospective companies to meet the researcher before agreeing to participate. Secondly, many firms seemed to feel as if they did not want the responsibility for a researcher coming all the way from the UK to participate in their activities, when they really did not know what they would do if things did not work out as they had wished. A few firms that I contacted also appeared to be sceptical of the fact that I was studying 'relationships', and saw this as an intrusion into their personal space; as much as you try and convince someone that this is not the case, it is impossible to do so when you are not in a face-to-face interaction.

Access to an Australian wine grower was tenuous; initially contacts in the industry appeared promising however access was not straightforward and a number of negotiations fell through. Purposeful sampling was again initiated, with UK buyers suggesting the initial contacts of companies that suited my specification; a small, family firm that both grew and produced wine in the region desired. The resulting case in Australia took time to establish a relationship even once a 'foot in the door' was gained. As will be explained further, the firm has an additional management structure based in the UK. The UK based family approved the involvement in the firm and the visit to Australia and then it was up to me to contact the CEO in Australia who would set up and confirm the visit. The CEO however proved more difficult to gain contact with. Once finally spoken to it became clear that he was slightly reluctant to agree to the participation however would approve it under the duress of the family. The reluctance seemed to stem from the fact that he had recently taken over the running of the firm and the family wanted 'things to happen', which had, inevitably, upset some employees. He was worried that other employees would 'see me as a spy' and therefore be sceptical of any involvement that I had and that I would report back to him. I explained the ethical boundaries of my study, in writing, and assured him of the confidentiality of the study. He did agree to the participation but was clearly wary of the intentions, despite numerous assurances to the contrary. Unlike the case in the USA the onus was very much on myself to organise every aspect of the visit and the CEO was not particularly forthcoming on recommendations on issues such as accommodation and the like, with emails and other communications being notably short in length, a significant observation in itself. Once I got to Australia however the situation altered. It became apparent that recently one of the main 'resistors' of the new changes had left the organisation and now the CEO was a lot happier about me

entering the firm. In fact despite initial access being hard to gain once in the organisation employees on the premises of the winery were more than happy to participate in the study and enjoyed someone being their to hear 'their side of the story' of the recent changes what had happened in the firm.

The US case was more straightforward in terms of access negotiations yet it still took time to establish a relationship with one organisation in particular. I had purposefully selected the geographical area that I wanted the case company to be located in due to the fit with the locations in Australia and the UK. The area had also developed into grape growing in the past two decades, diversifying from crop growing and increasing grape production off the back of an adjoining area, Napa valley - similar to Pemberton developing off the back of Margaret River in Australia and Wales taking the example of the South West grape growers). Additionally, in all the areas selected the vast majority of winery firms were under family ownership. The identity of the type of firm and area led me to the Russian River Winegrowers website which listed all its member wineries, which I then explored purposefully and then began to make contacts with these companies. After a few non-responses from letters I called Clifford and was put through to James, the owner. He appeared interested in the study and was keen on having an intern from England. Access developed from that point (see emails in Appendix 2)

4.5.2 Research Participants

One advantage of qualitative studies is that, due to the fact the researcher can exercise their own judgement, respondents can be selected on the case that will be highly informative and aid the achievement of attaining the research objectives (Anderson et al 2005; Saunders et al 2003). This feature proved highly useful in the instance of this research due to the fact that often it was not obvious who would be useful to interview until some time had been spent in the research setting. Research participants largely came from within the organisations studied along with network partners of those organisations. As stated the research was overt in nature and therefore my role in the organisation was made clear from the outset to all who would be directly involved in the research process. There were, however, varying degrees to which the practice

of 'informed consent' could be fulfilled from case to case. Each case will be discussed in turn and summarised in Table 4.1

UK

In the UK case the family and other organisation members were well aware of my role, however, I was often involved with customers in this organisation. Often it would not be appropriate to mention my role as researcher in a typical transaction and many customers assumed I was in fact one of the family working in the business, however if there was a large group of guests with whom I was involved then the owners often explained what I was doing there. They liked to tell people that they were 'chosen' to be studied. In this first instance where the firm was so small the interviews were primarily conducted with the husband and wife on multiple instances as well as other family members, two daughters who occasionally worked in the business particularly at harvest time (although these two interviews were recorded by hand and therefore not included in the formal interview count but included in the daily field notes) and two other casual labours who also had just started their own vineyard and cider company. I also undertook a couple of external interviews in the UK with a number of the company suppliers – the designer and their wine makers in Gloucester as well as a UK wine industry expert.

USA

The Californian company was again fully aware of my role as a researcher however they appeared to prefer to refer to me as just another intern. When meeting other industry associates I was consistently introduced by the family as 'our intern from England'. This meant that often, initially at least, associates were not necessarily aware of my role as a researcher. Within the company itself I assumed that other employees were aware of my role however it became apparent that, despite them knowing that I was at university studying 'the wine industry' they did not fully realise my role as an observer; in this instance therefore Chinese whispers had obviously taken effect. Additionally with the Mexican workers comprehension was definitely an issue, particularly with the field workers.

Observation in this company lasted a duration of ten weeks, throughout harvest. Due to the intensity of the job itself and harvest being unpredictable at best, it was often difficult to get 'time off' to go outside and do an interview. It was

therefore in the last two weeks that interviews primarily took place. With time in the field and closer relations with company employees developing, suggested contacts for interviews developed. In one instance one of the senior winemakers suggested a possible participant that I may wish to interview and set up an initial meeting for me. This contact became one of the most highly informative interviews in terms of industry experts. In this case I undertook interviews with 13 members from all levels and departments within the organisation (including the two family owner-managers), as well as three custom-crush clients who made or had their wine made at the winery, and three outside experts – one other family owner manager who dealt with the case company in question, one member who sat on the board of the local county grape growers association and one wine industry family business consultant.

Australia

In Australia all the employees (13 in total) had been made aware of my arrival as the observation period had to be approved by the Board as well as the family themselves. Upon setting up the period of observation I had wished to observe the setting for a period of eight to ten weeks however in order to secure access I was negotiated down to a period of six weeks in the organisation. As the organisation set up was open-plan and there were slightly less employees in this case (although their case output was similar to that of the US case approximately 25,000 cases), the period of observation was long enough to reach a point of near-saturation. Along with this the cycle of the winery was in a different stage to the other two cases, it was spring and therefore no processing of grapes was going on in the winery and things were generally a lot quieter allowing me to concentrate more on the formal and informal transactions that were taking place within the firm.

Participants in this case were easy to access at the lower end of the hierarchy, and were willing to participate due to a feeling of frustration in the company and a desire to 'be heard', however access to those higher up the hierarchy was severely restricted. The family were based in Scotland and therefore interviews had to be conducted via email exchanges and the CEO along with most of the board members were based in Perth, over three hours away. I did manage to conduct a formal interview with the CEO as well as a couple of informal exchanges, however, other board members were deemed 'too busy' to participate in the study. All full time employees based in the office and winery

were interviewed both formally and, additionally a husband and wife team from another family owned winery close by took part in a number of informal discussions with me as well as a formal interview.

Table 4.1: Fieldwork Details

Case Country	UK	USA	Australia	Total
Number of formal interviews	7	19	13	39
Duration of interviews	1-1.5 hrs	1-2+ hrs	1-2+hrs	
Length of time spent in the field	9 weeks	10 weeks	6 weeks	25 weeks

Although the interview subjects were selected systematically, to a point, the principle aim was to cover the range of social situations, as opposed to adopting a strategy of random selection. Snowballing and theoretical sampling was deemed more appropriate for the purposes of these interviews. I did not pre-designate a sampling design before I entered the field but the criteria were built up during the course of the research itself. Interview subjects were selected on a basis of interest and referral. This was because I did not know *a priori* which subjects would be of relevance to the research. As stated, on occasion, interviews were conducted on an impromptu basis and were unstructured, starting from a general conversation and ending up as an unstructured interview. In all, bar one, formal interview situations interviews were recorded, in order to allow me to develop and pick up on issues highlighted by the evolving discussion (in these cases interviews were transcribed verbatim), it was only in one instance where the interviewee preferred me to make hand written notes as opposed to record the conversation. Recording the interviews was also useful when it came to comparative analysis of interview responses. Additionally, recording was used as it allows respondents' exact words and emphasis to be recorded, not just the interviewer saying 'along the lines of', or forgetting exactly what was said. However, as commonly documented, in many cases critical issues were brought up by the interviewee once the tape recorder had been switched off.

4.5.3 Interview Formats and Schedules

All interviews were semi-structured in nature, schedules of which can be viewed in Appendix 1. Their conduct did, however, vary slightly; for example different 'dress codes' were adopted for different interviews, such as for interviews with management or external experts more formal attire was adopted whereas when interviewing workers from the cellar floor or fieldworkers regular work scrubs were worn in order to make the interviewee feel at ease and also due to the fact that scrubs were what the participants had seen me in on a daily basis and therefore to change into something more formal may have made them also become more formal in their responses. These decisions were based upon my personal judgement from the time and knowledge of the personality of the participants built up over time in the field. Due to the knowledge of the majority of participants being built up over a lengthy period of time there were questions that were relevant to all participants yet there were also questions that became unique to each participant. The order in which they were posed was not rigid, neither was the specific wording of questions (as suggested by Gummesson 2000). Much of these questions depended on the atmosphere and rapport with the person and again I simply had to rely on my own experience and judgement for this, which attributes to the problematic area of study replicability as discussed. This said, standardisation, in terms of questions, did form an important part of the interview process particularly for comparative purposes. Examples of such questions are detailed in the below and more detailed schedules are attached in the appendices. An advocate of this approach, Layder (1998) states 'a semi-structured interview schedule and in-depth probing to some extent restrain the researcher from imposing his or her own prior assumptions about what is relevant' (Layder 1998:52). The way in which I conducted interviews reflects the fact that I think both structure, standardisation but also personal judgement are all important to generate rich, in depth understandings of the participants and processes.

4.6 Data Recording, Coding and Analysis

Observation and analysis can be viewed as overlapping and iterative in nature, however analysis will continue after data collection has ceased (Eisenhardt 1989; Marshall and Rossman 1995). Data analysis is 'not a discrete element of

the evaluation process which can neatly be bracketed off' (Shaw 1999:171). I tended to approach analysis in terms of Layder's (1998) method to 'analyse data with theory in mind', considering both the SoE framework in terms of the research objectives as set out but also to keep a note of emerging themes, both during the duration of the fieldwork and when it came to detailed coding phases. Ongoing data analysis during the research was not without its problems and it is partially due to the fact that primary analysis took place simultaneously with observation overseas that computer aided coding tools were not utilised (discussed further in the following). The aim here is not to follow one strict set of methods of data analysis, as such a set of rules does not exist, however, by documenting the process of analysis clearly and following guidelines as set out by the likes of Layder (1998) and Miles (1979) the transparency of analysis can be improved. Analysis is the point at which Miles' conception of qualitative data as an 'attractive nuisance' becomes so vivid.

4.6.1 Data Recording

Data recording took a number of forms, namely field observations, memo writing and interview material. The format of recording varied between handwritten notes, computer typed diaries and digital dictation, both for orally dictated field notes and for interviews, all of which were transcribed verbatim on return from the field. As noted in the above discussion concerning participant observation, a number of 'standard' areas were observed and commented upon as soon as I entered the research setting, such as the immediate physical setting and attributes along with initial feelings/impressions and apparent roles of people within the organisation. I considered the physical setting important as physical attributes became important in both shaping the context of the organisation and also in explaining some of the exchanges that took place within the organisation. Initially fieldnotes were wide ranging and were concerned with many observations of context along with notes on formal and informal exchanges that occurred. In the initial few weeks these fieldnotes tended to be prolific and wide ranging in nature, attempting to be as all-encompassing as possible. In some instances, particularly in the first case, on occasions I felt like I had to write quotes or stories they were telling down in order to make the subject feel as if what they were saying was significant, however, in other cases this practice would not have been considered appropriate as I was not viewed as an

observer but as a co-worker and this would not have helped integration. As time in the field in each case progressed ideas and observations became more specific in nature and, due to familiarity with the setting, it became easier to become exposed to more detailed exchanges, therefore more observations were made with regards to use of discourse and the specific nature of relationship exchanges within the organisation. The opinions and interpretations of the subjects were gauged wherever possible. Again, these notes initially were very lengthy in each case they did, however, narrow in focus as time went on. Where appropriate, I tried to write down my own feelings about the activities or observations. Again, as time progressed, feelings developed about individuals and practices and, be that positively, negatively or neutrally, I tried to keep a note of these.

As stated, fieldnotes were recorded using a variety of methods, comprising both written and dictated notes. As is commonly recommended when conducting observation, writing up notes became crucial to complete each day, even if I was very tired. In an ideal world (as portrayed by Hammersley and Atkinson 1983) notes should be written as soon as events occurred but often, due to physical constraints of literally being 'in a field', this was not possible. Hammersley and Atkinson suggest that if observation is too exacting, at the cost of writing field notes, then the researcher should alternate periods of writing and observation so as to not neglect either. However, in my view, this assertion is completely naïve and idealistic as when undertaking research as a complete participant then you cannot neglect your 'job' in order to record your own observations. It was due to this reason, and the constraint on being able to physically write, that in some instances I dictated notes to myself in order to ensure that they were recorded in some form. This prevented the quality of data from being lost and so the events and exchanges did not become over simplified and distorted. In some cases this involved dictating whilst driving home from a day in the field or whilst conducting grape sampling on my own out in the vineyards. If something controversial took place then I often felt that it was 'safer' to dictate these notes than write them in a journal where I would have to leave (it in all cases) in a communal area. I tried to keep a small pocket book on me at all times, this was useful but often became unusable due to the amount of grape juice that it acquired in the run of a day!

Memo writing formed a significant part of the fieldnotes. Memos formed part of the daily journal and took a number of forms. Theoretical memos were notes to myself on particular concepts that I thought could link to prior understanding and also areas that I thought could be possible links to follow up on. These notes were temporal as opposed to being filed under categories of any kind and continued not only through the time in the field but also through the process of analysis. Secondly, marginal notes were included into both the fieldwork notes that were on dictated material and diary inserts. These were scattered throughout all collected material and continued to be written over transcripts in further levels of analysis, both by hand and by use of the script editing function on Microsoft Word. The tendency in the fieldwork itself was that a large amount of marginal notes were used at the beginning of data collection particularly in the first and second cases and, as time progressed, the notes became more theoretical in nature and a larger number of links were made back to theory. A higher proportion of theoretical notes were made in the third case due to the analysis that had been made retroductively between the first and second cases. As well as my feelings and reflections occurring throughout the daily diary notes I did highlight areas, quotes and inserts that I thought were particularly significant at the time to flag up on for further analysis. The personal reflective notes formed a kind of self-dialogue on my time in the field were useful when it came to reflecting on the research process as a whole as they provided a clear documentation of my evolution of thoughts about the research setting and my thinking at different points in the research. Despite the majority of these notes not being part of the final thesis I still consider them highly significant in shaping my understanding.

4.6.2 Data Coding

Perhaps inevitably, with six notebooks along with hundreds of pages of electronic fieldnotes and interview transcripts, the difficulty of how to deal with so much data arose. The problem was amplified by the fact that a multi-site study was coordinated. The process of coding helped to make this initial 'mass' of data a more manageable task. Initially such coding areas were wide, resembling categories, that were identified both from the initial research questions and from concepts that were identified as being significant once in the field. Other 'primitive' pre-coding devices were also used in the field including

underlining in field notebooks and highlighting on electronic documents as well as when initially transcribing interviews. Then, in a tentative attempt to classify data, provisional codes were used to indicate parts of the transcripts and field notes that were associated with a particular concept or idea, such as the HR practices, internal relationships and external communications. This initial attempt to categorise data was informed by analytical prompts and theoretical concepts largely based around knowledge of network theory and the SoE then revised at a later date, on arrival back from the field, in particular to emergent themes that were not considered prior to entry to the field. Over time these categories began to narrow in focus and with the process of iteration in between each case study the categories became more defined. This initial process is not 'open coding' as advocated by Glaser and Strauss (1967) but rather provisional coding. Open coding implies generating as many codes as possible then it leads to axial coding. Whilst accepting that all ideas are influenced by prior theoretical understanding to some extent, it is impossible to start with a 'clear slate' as theoretical knowledge does influence thinking. This is a more realistic way and epistemologically is acceptable for critical realist research as it 'refuses to endorse a naïve empiricism in which the data are thought to speak for themselves' (Layder 1998:54).

Both my research diary and ideas arising from the initial analysis of interview transcripts were used to clarify these repeating and emergent themes. Initial coding was conducted per the interview guide and objectives and linked also to the themes that became apparent during the previous 'provisional coding' phase. This initial phase transpired into the second phase which was to make for certain and specific coding areas and to cut and paste examples of these areas into separate documents which enabled further analysis and constant comparison to each other and to previous findings, a technique recommended by Hill et al (1999), Silverman (2000) and Glaser and Strauss (1967). Finally, I began to organise these areas into coherent structures around the wider issues that I wanted to explore in each discussion chapter. (A copy of these final coding areas is provided in Appendix 3).

This more 'hands on' approach to data coding and analysis of cutting and pasting (both electronically and by hand) was selected over and above the use of any qualitative data analysis programs such as NVivo or Atlas TI for dealing with this type of data for a number of reasons. Firstly, as pre-coding took place

in the field where such technology was not available, coding was already being conducted by hand methods and therefore I would have been taking a step back to then enter it into a database. Secondly, from learning how to use such a program, it became evident that categories were not easy to change once entered into such a database and I felt like my categories were just such; they were fluid and likely to change and develop at various points during the analysis. In fact, the continual re-shuffling and re-thinking of what data means played a significant role in both the coding and interpretation of the data. Further, I did not feel like any of these coding programs would add any richness to the quality of the data, rather they would take me further away from the data in which I was so closely involved and knew so well. As Layder (1998) points out, logic is employed in the long process of theory-generation, sometimes in the form of word association as opposed to strict theory development, but although ideas grow out of and follow on from each other and external influences is also brought to bear in the reasoning process.

4.6.3 Data Analysis

As discussed, few guidelines exist on how to analyse material gathered during fieldwork. Using a critical realist perspective I was aiming to explain a phenomenon, how family businesses use their networks to thrive and survive, and hence observation material had to be precise and all alternative explanations had to be evaluated before deducing the explanation that appeared most congruent with the facts (recommended by Yin 1981). Coding was useful in this process in order to identify themes for discussion chapters and the fact that the data was organised around these substantive topics enabled me to more easily integrate the material with different data elements, ie. Interview material and observational material.

Preliminary categorising and primitive pre-coding techniques, along with theoretical notes, were the only types of data analysis that took place in the field. Whilst recognising that analysis is a continuous process due to the fieldwork being highly labour intensive the research setting itself inhibited formal analysis of any kind. As described, primitive pre-coding facilitated initial areas being identified and these areas were refined in between each case retroductively. Intensive and detailed analysis took place on return from the field

in each case. This was more difficult between the US case and Australia as there was only a week in between conducting each case due to issues of access availability.

Before commencing the fieldwork I identified which levels analysis I would aim to look at. It was considered vital to define these levels from the outset in order to give a clear direction to the study and so as to not end up with misleading or confusing data (Bryman and Bell 2003). I identified these as being comprised of four levels; the level of the individual; interpersonal relationships; group dynamics and the level of the organisation as a whole. I bore these levels in mind during the research process and in observation notes but they became particularly important during the phase of analysis. I used the research questions to develop my understanding as to which levels were going to be of most significance for the study. Clearly the nature of the organisations, being family businesses, would include a focus on interpersonal relationships and with the organisation, group dynamics. As the other primary focus was on the basis for network exchanges within a family firm interpersonal exchanges were considered vital as well as the dynamic of the organisation as a whole, particularly if I was to consider any moral or communal ties. As with much critical realist research I focused less on the level of the individual, initially at least, however issues of identity surfaced within the research and therefore the level of the individual could not be ignored. Neither did I increase my level of abstraction to the 'social world' as the comparative nature and philosophical direction of the research did not warrant this approach. Visual data are provided in the Particulars to the Thesis in the form of a photobook. The use of these photographs is useful to make sense of field sites and therefore can be used as a reflexive device, forming a valuable part of background information to the case as well as providing critical visual context to the study (Neyland 2008). The use of this feature is, of course, restricted to those studies in which permission has been granted to use such material and the anonymity of the participants has been preserved throughout the study.

Following discussion chapters being outlined these were then written up, a period over which I definitely encountered the inherent difficulty of *the agony of omitting*, (as described by Lofland and Lofland 1995), as often my favourite observations or anecdotes were not strictly relevant to the theoretical surmising, but I had come to see these as important, just because I liked them.

Nevertheless I was aware of this danger and tried to be very strict when it came to focusing discussion on the relevant data. Once these discussion chapters had been formed the levels of analysis became very important in shaping the latter analysis chapters. Analysis and theoretical abstraction was occurring concurrently with these data discussion chapters being written and refined however the bulk of analysis occurred preceding the discussion chapters and took place simultaneously with the refinement of the literature review.

4.7 Trustworthiness and Authenticity

Validity and reliability are highly contested concepts in organisational theory research. Yin (2003), for example, considers qualitative material in relation to a large number of validity criteria, whereas Stake (1995) barely mentions it. Validity and reliability therefore depend on how one feels about what criteria are appropriate for the evaluation of case study research (Bryman and Bell 2003). As Silverman (2000) suggests, the researcher needs to prove that the procedures used render the method reliable and conclusions valid. It is for this reason that Guba and Lincoln's (2000,1985) approach, which focuses on qualitative methodologies, was referred to. Their framework assesses the research in terms of 'trustworthiness and authenticity' relating to aspects such as credibility, transferability, dependability and conformability.

According to Bryman (2001:271) credibility in qualitative research refers to 'whether there is a good match between researchers' observations and the theoretical ideas as they develop'. The main threats that were considered at each stage of execution and analysis were; valid descriptions (ensuring full and accurate notes were taken and recording interviews); interpretation (justifying at every stage, the interpretations that were being made), and theory (the primary consideration in this instance was to constantly consider alternative explanations and understandings of the phenomena and ensuring that the discussion did not become anecdotal but focused and full of thick description). Transferability relates to the perceived generalisations that can be made, in this case the issue of whether or not the findings will be considered to relate to other contexts. Whilst this area may be improved by utilising the case study design, enabling possible future comparisons to be made, it is acknowledged that generalisations

to the population will not be possible, nor is it intended or designed to be so. I did make use of some suggestions made by authors advocating increases in 'validity' such as the need to take a thorough history of the firm in order for consequential actions to be understood and so 'misleading' information was not recorded (Robson 2002).

Reliability, paralleling dependability in qualitative research, can be described as: 'the degree to which the finding is independent of accidental circumstances of the research' (Kirk and Miller 1986:20). I attempted to increase dependability by adopting an 'auditor approach' (Guba and Lincoln 2000); where it is foreseen that ensuring reliability of research relates to assuring the quality of the field notes (Silverman 2001) and ensuring that the quality of recordings were of a high level and transcripts were compiled verbatim (Perakyla 2004). Additionally, detailed records of all phases of the research were kept in order to be both reflexive and transparent. As Bryman and Bell (2003) acknowledge the full detailing of each research phase proved difficult due to the large amount of data generated by the research. Attempting to increase the authenticity of the study, interviews were conducted with staff members at all levels of the companies, including, where appropriate, family members that were not directly involved in the running of the business and close suppliers. Attempts to ensure relevance of cases, interviews and subjects were continually assessed, as proposed by Hammersley (1992). Robson (2002) describes one major threat to so called 'reliability' as being 'observer error' where it is recommended high structure will eliminate different interpretations of the material collected. It is recognised that structure such as this is not appropriate in the context of participant observation where interpretation is vital and it is accepted that different researchers will have made different notes on any given situation or circumstance in the field depending on their philosophical position, gender and prior theoretical understanding, as no data is theory free (Silverman 2000).

It is understood that the only way in which observers can justify their field notes is to be reflexive wherever possible. Specific advocates for the use of reflexivity within the realms of validity and reliability are Altheide and Johnson (1987) who believe that it is important that the researcher attempts to 'represent faithfully and accurately the social world or phenomena studied' (Altheide and Johnson 1987:292) and suggest a number of factors that it is important for the researcher to document in order for this to be achieved including; including access to the

organisation, approach, trust and rapport, the way of fitting in, mistakes and surprises, types and varieties of data collected, how recorded and coded and how data was organised and analysed. Throughout the research and in the above I aimed to take account of these factors and document them herein.

4.8 Ethical Issues

It can be argued that all social research involving human participants is not entirely ethical and that the 'means' do not justify 'the end' (Weber 1978). In this instance however, I made the decision that active participants would be involved in the research and subsequently there were ethical issues of which I had to be specifically aware. Firstly, it was noted that there was to be discussion with one family member about another in respect of their work; in this instance I was careful not to ask too many probing questions about family life whilst attempting to gain as much information about the dynamics of the family's interaction as possible. It was also considered important not to mention comments of other family or staff members during interviews; this may have caused friction within the family, and the organisation, and could have lead to bias emanating from further interviews. Additionally, when interviewing non-family staff members it was considered essential not to disclose to them any sensitive family information. In essence this could be described as fulfilling the 'no harm to participants' ethical obligation by the researcher (AOM code of ethics; MRS Code of Conduct). All interviewees were assured of confidentiality and anonymity and were reminded that participation was entirely voluntary on their behalf, complying with the researchers' ethical obligation to confidentiality and anonymity (AOM code of ethics).

Within the period of fieldwork itself, one ethical situation arose in a case study where the participants had been involved in an activity that was not entirely legal. Despite the participants detailing exactly what it involved, they specifically asked if the details could not be entered into the thesis. In this instance the 'right to privacy' had to be borne in mind (Nachmias and Nachmias 1996). This ethical consideration can include aspects relating to 'sensitivity of information' and therefore, despite the material being of relevance to the research questions, it was felt that confidentiality should be honoured. This decision was also made

in line with the AoM Code of Ethical Conduct recommending that 'if confidentiality or anonymity is requested, this must be honoured'.

Another area in which ethical considerations are highlighted concerns one of the four main areas as cited by Diener and Crandall (1978) relating to whether there is a 'lack of informed consent' (involving; competence, voluntarism, full information and comprehension). This may occur when participants are not given entire information, or varying amounts of information regarding the research, and as such:

If the researcher is completely honest with people about his activities, they will try to hide actions and attitudes they consider undesirable, and so will be dishonest. Consequently the researcher must be dishonest, to get honest data.

(Gans 1962:44)

This demonstrates that the ethical principle of full information, as recommended by Diener and Crandall (1978), is unfeasible to apply in practice however ethical guidelines can be adhered to as long as 'reasonable informed consent' has been adopted (May 1993). As will be apparent in the following analysis I did verbally agree with statements and accounts provided by participants that I myself did not consider to be desirable however signs of agreement were necessary in order for rich information to be provided from the interviewee. This is recognised as one of the difficulties of participant observation accounts, that the researcher must be 'all things to all people' (Delbridge and Kirkpatrick 1994). This is not considered strictly unethical but necessary to extract truthful material from the people being observed. As documented, throughout the period of the research I attempted to consider my influence on the outcomes of the interviews and subsequent analysis.

The research methodology was detailed and submitted to a University Ethics Committee (a copy of which is shown in Appendix 4), prior to the fieldwork being undertaken. The proposal was approved without any changes to the original research proposal being deemed necessary. In an effort to give some assurance to the research participants, they were asked to sign a form at the beginning of the research to ensure them that confidentiality and anonymity would be adhered to and for the researcher to be confident that the participants

fully comprehended their involvement in the study (an example of this form for participants is provided in Appendix 5).

4.9 Reflection and summary

The above discussion has aimed to document how and why I approached and conducted the research in the way that I did. Of course things could have been done differently. In an ideal world, the length of time in the field would be unlimited and I could have remained until the point of saturation in each case, however, limits on time, finances and access meant that this was simply not possible. I feel that I did, however, get a considerable period of time in each case, certainly enough to have a comprehensive understanding as to what was going on in each firm. Similarly, idealistically every person that I desired to interview would both be available and willing to participate in the study. But this is not an ideal world and as researchers we are engaged in a constant process of bargaining and negotiation and, to a certain extent, we must work around these constraints of an ideal world and accept that it is the 'real world' in which we are situated and it is this too that we desire to observe. Overall I hope to have demonstrated that the methods that I selected and utilised were conducted with efficiency, knowledge and rigour from the outset through to analysis. And, without willing to sound too clichéd, I think that the deep, rich data that I collected from these organisations and methods adopted, by far outweighs these naive views of a controlled research environment in which testable outcomes are achieved.

Chapter 5

Industry Context & Case Introduction

Agriculture to Viticulture

5.1 Introduction

As identified in Chapter 4, critical realists emphasise the need to set out the context of any study. Context is crucial in developing understanding and improving comprehension as to why structures and events may become identifiable during observation periods. This chapter seeks to outline the context of this research in terms of how the specific industry was selected and why the three countries were decided upon for the project. It further assesses the current state of the wine industry and how these factors may influence the findings of the research. The chapter moves from these macro issues of the wine industry to the contexts of the specific geographical areas within which the companies were located; Sonoma County in the USA, Pemberton in Western Australia and Wales in the UK, (due to its small scale production and geographical closeness, the UK is considered as a whole). This discussion leads to the final section of this chapter which is to present an introduction to each of the three cases that were involved in the research in order to situate the reader for the subsequent discussion and analysis chapters.

The agricultural industry was selected as a focus for the research due to a number of influential factors. Firstly, agriculture has been the subject of vast change and intense debate over the past decade, in the UK in particular. Secondly, diversification has dominated agricultural discourse for the last ten years. One of the ways in which agricultural businesses have sought to raise their levels of income, by diversifying within the industry itself, is through wine grape production, making and selling. Entering this industry can enable traditionally farming families to yield higher profits from their land whilst retaining family control and simultaneously avoiding the need to go 'outside' to supplement their falling income. As will be explained in the following, in all three

cases conducted the families diversified into winegrowing in order to remain an agricultural business. The emotional reasons for this are explored further in Chapter 6, however, in order to comprehend the changes that these families have gone through it is firstly important to understand how the industry has changed and the current position of the industry in each country at the time of the study.

5.2 Agricultural diversification: UK → Worldwide

The UK is comprised of approximately 300,000 active farms, with an average size of 50 hectares (Office of National Statistics, UK agriculture 2006). During much of the post-war era British farms enjoyed a relatively privileged position and by 1969 agricultural output stood at almost twice the level it had reached before the Second World War (Murdoch et al 2004). This position was not long lived and by the early 1980s the UK was not the only country in the EU concentrating on expanding its level of food production. The result was large surpluses in several of the primary agricultural commodity sectors such as sugar, cereals and milk. In order to restrain this over-production several measures were put in place by the British government, including milk quotas and set-aside for cereals. This form of productivist agriculture had a damaging effect on the natural environment and resources, forcing the government to introduce protectionist measures for the environment including the designation of Environmentally Sensitive Areas and Countryside Stewardship Schemes.

Over the past two decades farming incomes have continued to decline, specifically due to increased pressure from the expanding EU and World Trade Organisation (WTO). These pressures have been further exaggerated by the banning of beef exports, declining milk prices and the world's largest outbreak of Foot-and-Mouth disease (FMD) since the 1960s. In a survey of over 1,000 of the farms affected by the FMD disease it was discovered that although 78% of the farms intended to restock, only 34% intended to return to pre FMD levels (Nagle 2002). Nagle's study also indicated that as many as a quarter of these farms were planning to establish diversified enterprises. It was estimated that, due to the countryside being largely closed off to visitors during the FMD outbreak, the tourist industry suffered a fall of £7.7 billion in income in 2001 alone (Sharpley 2003), further affecting an already suffering countryside. More

recently, diversification into wheat has been affected due to severe flooding in 2006. Consequentially, some crop growers have experienced higher than average returns for their products resulting in even higher costs for livestock farmers who face further losses on meat production.

Farm diversification has formed a large focus of the studies into the so-called 'death' of British agriculture (North 2001), which has led to farmers entering new industries, including winegrowing), in order to survive. The most prominent of these include; DEFRA (2004), Denman and Denman (1990), McInerney and Turner (1991), Prag (2000) and Sharpley (2003). In this study, diversification is classified as the construction of an alternative enterprise that is based on the farm and beyond that of conventional farming (McNally 2001). To demonstrate the extent of this diversity, of the 90% of UK farms that are small in size, 50% had undertaken diversification of some kind in 2005 (DEFRA 2006b). During this period diversified enterprises accounted for 22% of the total income of farm businesses, and accounted for all of the increase in agricultural income (DEFRA 2006b). Fruit income in agriculture has risen significantly over this period of diversification, for example the average fruit income from 2000-2004 was £265 million and in 2005 it was £369, up by over £100 million. This includes not only grapes but could also be accounted for by the recent surge in demand for cider apples and the increasing pressure to 'buy local' and 'buy seasonal'. Over the same period farming income fell by £2 billion¹. Of course, these rising figures of income may not be sustained; with the current turbulent economic situation we are now facing rising food costs and market unpredictability, now the emphasis lies not so much on buy local as buy efficiently and this may result in high cost local produce being at the mercy of the worsening economic situation.

Outside the UK, agricultural diversification has taken place worldwide and it is not only UK farmers who have suffered a decline in income. In the US the poor price that farmers in Sonoma valley were receiving for their fruit crops (as a result of the free trade agreement with Mexico), coupled with the success of their adjoining Napa Valley in selling grapes for reasonable profit, led the area to diversify into the industry for which it has now established itself a great reputation, winegrowing. Similarly, Australian farmers have, since 1980, seen the price for agricultural exports fall dramatically (largely due to an over supply

¹ Source: *DEFRA Farm Business Survey 05/06*
<http://statistics.defra.gov.uk/esg/asd/fbs/default.htm>

of wheat), again leading to an interest in winegrowing. This move has been strongly supported by the government and subsequent investments to support the phenomenal growth of the export industry in this area. These three countries therefore constitute an interesting point of comparison on which to base the field research; all three family firms have been involved in traditional agricultural production and all three have witnessed a recent decline in agricultural output in their local area, along with an increase in diversification activities. The development of this diversification, with regards to a significant increase in winegrowing has, however, developed at different points in time in the three different countries. The UK is essentially a first generation winery business, the US is largely a second to third generation winegrowing area and Australia, where agricultural output remains high, has been turning its attention to grapes increasingly over the past three to four decades. Significantly, however, all three of the specific regions selected are relatively new to winegrowing itself. As will be explained, all the regions studied developed on the back of other established winegrowing areas in these countries and in all three case studies the family have been making wine for less than fifteen years. The firms vary with regards to how long their family has farmed their present land (UK first generation, USA second generation and Australia fourth generation) (see Table 5.6) but they have a commonality in the sense that they all diversified into wine grape growing due to a need to gain a higher return from their land. In each case therefore there was a clear economic motivation for the farmers turning to winegrowing.

The differing institutional contexts in terms of industry establishment, whilst emanating from the same roots, provided an interesting point of comparison for research particularly with regards to networks established by each generation and the identity that family members held with both regard to their agricultural roots and also their current ties. Within the realms of the time period of the research and the early stages of the UK wine producing industry, it would not be possible to conduct a longitudinal study across generations solely within the UK industry and therefore a comparison across new world countries was deemed appropriate in order to develop understanding of the dynamics and potential progression of network relationships.

5.3 Wine industry development and patterns of change

5.3.1 Development of the Australian wine industry

Australia's wine history goes back over two centuries with the first vines brought in with the sailors of the First Fleet in 1788. James Busby took the first Australian wine to England in 1830 where it was classified 'very promising' (Wine Australia 2007b). The vine aphid, phylloxera, came to Australia after destroying most of the vineyards in France and the United States and this wiped out many of Australia's vineyards, with the exception of South Australia, whose quarantine restrictions meant that the infestation never took hold, leaving southern Australia with some of the oldest surviving vines in the world (Faith 2003). Until the 1940s Australian wine enjoyed precedent in England due to tariff protection at the time, known as Imperial Preference, which saw its wines imported in preference to that of France and Spain, (to a lower volume of course). The Australian identity then went from being a predominantly fortified wine producer to producing table and sparkling wines. Australia experienced hardship in the 1970s and early 80s due to consumer preferences changing to white wines leaving a massive oversupply of red wines and leading to many vineyard closures. In the 1980s the Masters of Wine visited from the UK for the first time and were full of praise for Australian wine, which was the beginning of Australia's massive success in the UK market.

The market has grown very quickly since this development in the 1980s. In 1986 the number of imports exceeded the number of exports, however, by 1991 the exporting figures far surpassed the import level, reaching \$200 million in value; by 2001 the value had exceeded the \$1 billion mark, further leaping to \$2.7 billion by the end of 2004 (Wine Australia 2007b). This phenomenal rate of growth made Australia the 3rd largest wine exporter in the world. The UK is still of vital importance to Australia, purchasing just over 40% of all exports; this makes Australia the number one exporter to the United Kingdom. Australia is also now hugely important in the American market, recently breaking the \$1 billion per year mark, purchasing approximately 40% of Australian exports. Australian wine is now consumed in over 100 countries and each day 2.5 million bottles are exported from the country.

5.3.2 Development of UK wine industry

Wine has been made in the UK since Roman times, when many vineyards were attached to monasteries. Since this period the industry has almost completely disappeared, possibly due to adverse changes in weather conditions, a lack of labour and the choice of landowners to rent out land as opposed to working it themselves, in addition to the closure of the monasteries (DEFRA 2006a). Despite a few efforts to re-establish the English wine industry, post World War II, development was largely thwarted until the last two to three decades when cultivation acres grew from virtually zero to over 2,000 acres by the late 1980s (Skelton 2001).

The make-up of these vineyards in the 1980s remained vastly different to those witnessed in the rest of the EU or parts of the New World. In England and Wales the majority of the vineyards have been very small, five acres or less, held as retirement or 'second-career' ventures fuelled by married couples' desires to escape urban life and retreat to the countryside (Skelton 2001). By the 1990s the increase seen in the 1980s had again subsided due to the recognition that grapes may not earn a very significant income, many vineyards having been established with little regard for financial viability. In very recent years (2003 onwards) we have witnessed another resurgence in the UK wine producing industry and at the beginning of 2006 there were 353 registered vineyards, comprising 1,960 acres in England and Wales (DEFRA 2006a). As stated, it is believed that this most recent surge is due to a combination of pressures to diversify coupled with global warming and other environmental forces. The total production for 2005 was over 12,800 hectolitres and now stands at over three million bottles per year. This said, the total number of English and Welsh wines sold still only account for less than 1% of the total wine sold in the UK in a year. It is increasingly agreed that the best strategy for the success of English and Welsh wine is to aim for the top sector of the market, however, at present there are also many low quality producers in this growing industry who arguably 'overshadow' the improvements in English wine. Industry experts argue that were these low quality producers were to drop out of the market then the UK would have a better chance of increasing the consensus of what the Country is able to produce and this increasing reputation may help promote sales growth.

5.3.3 Development of the American wine industry

Despite California producing 90% of America's wine output, wine has been grown all over the States since the mid 1800s (Wine Institute 2006a). When the early colonists arrived they were impressed by the vastness of grape vines that produced sweet tasting grapes. For over 300 years there have been vast ups and downs within the wine industry in the country, as much due to biological factors as civilian ones. After the Revolution George Washington and Jefferson attempted to grow the success of the wine output in America but this was thwarted by the introduction of the phyloxerra disease. Following this many attempts were made, some quite successfully, to graft EU vines and US vines to develop resistance to frost and the like. The US also had their own variety of grapes which coexisted and eventually formed new varieties which remain US specific. The first commercially successful wine business was established in the 1850s in Ohio.

Winemaking reached the West Coast by a different route. Settlers imported viniferous plants to Mexico in the 16th Century but they did not move up the coast to California for at least another 200 years, the first planting in California was said to have occurred in San Diego in 1769 (Johnson and Robinson 2007). The West coast did not experience the problems of the East and vines became well established. However, when Prohibition was introduced between 1918 and 1933 winemaking was virtually wiped out US wide. It is thought that the lasting cultural legacy of not drinking in the US (the average American consumes just 9.8 litres of wine per annum in contrast to the UK average of 26.2 litres²) is a result of prohibition and even though it was repealed in 1933 the industry has been constantly fighting against what Johnson and Robinson (2007) describe as obstructive legislation, as well as being treated with extreme caution by non drinkers. More recently, however, there are indications that wine is becoming more fashionable in the US once more, with all 50 states now producing wine to some level. A large proportion of this increase has been in younger drinkers and aided by films promoting the industry such as 'Sideways' which had a multimillion dollar impact on the tourist levels in Napa valley in the year following its release.

² Source: Office for National Statistics; <http://www.statistics.gov.uk/cci/nugget.asp?id=1443>

Worldwide, wine has been made and consumed for the past 8,000 years and in the past five years in particular, the industry has experienced significant change. Wine production has hit the headlines largely with regards to changes in the climate, exaggerated by global warming, affecting harvest levels for many countries. Australia, for example, has gone from mass levels of overproduction to experiencing high levels of drought, particularly in 2007 where many water authorities were threatening to stop irrigation water, causing doubt over the levels of grape production and lack of quality in some of Australia's bulk winemaking regions. California too experienced in 2006 a record lack of rainfall and an early hot spring, rendering harvesting times uncertain. Nevertheless, global warming has had some beneficiaries, Germany for example, and, significantly, England where the French champagne firms interest in the South West regions has grown and 'in less than a generation English wine has gone from being a joke to a serious investment prospect' (Robinson 2007:1). It is not just global warming that has affected this industry; as practices have become more efficient within the respective countries, tastes and patterns of demand have altered significantly and, in addition, New World countries such as Australia have embarked on mass advertising and branding campaigns to increase awareness of their products, positioning themselves as offering good quality alternatives to expensive French, Italian and Spanish wines and hence contributing to a mass oversupply in Old World Europe.

5.4 Current Position of the Wine Industry

To put New World countries in perspective it is useful firstly to compare them on a global scale, to that of the Old World. France retains the position as the top wine producing country, producing in excess of 5,850 million litres, and grew, albeit at a slower rate and with excess production, by over 425 million litres from the period 1998 to 2004. Italy the second biggest producer produced 5,300 million litres in 2004. Spain (currently experiencing high growth levels) is the third largest producer at 4,000 million litres in 2004 (rising from just over 3,000 million in 1998). The United States and Australia lie fourth and fifth respectively, although America's production lies at less than half that of France (currently at 2,430 million litres) and Australia just half of that (with production of 1,471 million litres in 2004) (WWTG 2004). Australia has experienced the largest rate of

growth over the period 1998 to 2004 with production exactly doubling over this period. In 1998 it lay eighth in the production table (Witter and Rothfield 2005).

As explained in section 5.2 all three cases were conducted in New World countries. The most accurate vehicle for demonstrating the growth in trade that is currently being experienced in New World countries is through the statistics produced by the World Wine Trade Group (WWTG), of which Australia and America are members. Table 5.1 demonstrates that over the years 2004-2005 the trade of WWTG countries increased by almost 20%. The USA saw a larger increase in production than Australia and the rest of the World Wine Trade Group countries, increasing production by 400,000 tonnes to over 4,000,000 tonnes (in one year), whilst simultaneously some WWTG countries saw their production fall. Significantly, winegrape production as a percentage total of grape production was vastly different between all three countries involved in the research: In Australia over 95% of grapes go towards the production of wine, whereas the United States that level is much lower at approximately 59%. In the UK the percentage of commercial grape production going towards wine is one 100%. This is significant as it suggests relationships with contractors and buyers may be more prolific in the American firms.

Table 5.1: World Wine Trade Group (WWTG) Positions³

	2004	2005	% change
Vineyard Areas (hectares)	834,480	850,387	1.9%
Wine Production (litres)	6,740,873,000	7,193,205,000	6.7%
Winery Numbers	9,227	10,040	8.8%
Total WWTG Country's Exports (litres)	1,995,234,817	2,076,933,900	6.2%
Total WWTG Country's imports (litres)	968,206,800	1,059,374,500	9.4%
Total Trade between WWTG Members (litres)	457,216,000	539,560,000	18.0%

Interestingly, there is a difference between the average production by individual wineries in the WWTG countries. It may be thought that the United States would produce more volume, in terms of litres per winery due to the fact that production levels and tonnage are far higher however, in fact, Australia has an

³ Source: *WWTG Report 2006* <http://www.wtg-gmvc.org>

average winery production of 700,000 litres in 2005, compared to the United States where the average was approx 550,000 litres. This trend actually highlights that in these countries many more vineyards are run as grape production centres and do not make their own wine but sell to the wineries. This would certainly hold true in developing countries such as Argentina and Chile where labour costs may be low but machinery and cost of production is very high so the end result is a few very large wineries producing the majority of wine. This is also true of Australia where regional wineries are often used, with many farmers simply working the land and then selling their grapes to wineries or paying local wineries for production. In the United States, the average vineyard is bigger with regards to both acreage and production and therefore more vineyards have their own wineries and consequentially, on average, production within these wineries tends to be lower. This ratio was significant in terms of relationships that were observed between wineries and growers in each case, suggesting exchanges with winemaking facilities may be important in these cases. It also suggests that there is a possibility that exchanges with the agricultural community, rather than the winery community, may be more evident in these areas. This trend can also be said to hold true to the UK where there are very few wineries, in relative terms, with most grape producers having their wine made by a regional winery. This is partially due to the fact that the UK is lacking in winemaking expertise but also due to the relatively small number of vineyards. It is also relevant to note that whereas the vast majority of sales of Australian and US wine are made through industrial supply chains and retail outlets, English wine would probably die-out were it not for farm-gate sales which account for all sales in some cases and approximately 70-80% overall (Robinson 2007). This suggests that direct consumer loyalty, especially support of the local community, will be important for these firms with farm-gate sales to survive, rendering these exchanges of particular significance during observation.

Table 5.2 summarises specifically the changing situation in the US and Australia. It shows that in both the USA and Australia the area under vine grew proportionately in the years 2004-2005 (approx by 1.3%), therefore US vineyard area remains larger than the area covered by Australian wineries. These statistics are compared with the limited data that is available for UK situation.

Table 5.2: Changing position of Australia and America⁴:

	AUSTRALIA		AMERICA	
	1995	2005	1995	2005
Wine exports (volume in litres)	130 million litres	735 million litres	147 million litres	388.2 million litres
Wine exports (Value in dollars)	\$A605 million	\$A2.8 billion	\$241 million	\$672 million
Number of wineries	892	2,008	807 (in 1990)	2,275 – 5,000 (estimates vary widely)
% of family owned	Similar to total	87%	Similar to total	Over 95%
Domestic wine market	\$A1.4 billion	\$A1.9 billion		63% share of domestic market
Winegrape Acres	160,618	390,427		522,000
Total grape crush	883,000 tonnes	1.9 million tonnes	Av. For 2000-2005 3.1 million	4.05 million
Total Direct Employment	15,743	31,000		33,560

Table 5.3 Grape Production Statistics for the UK⁵

UK STATISTICS	1995	2005	2006
Number of vineyards	413	350	Not yet available
Number of wineries	115	105	Not yet available
Total hectare production area	745	722	923
Hectolitres of wine produced	12,051	12,806	25,627
Number of bottles produced	1,686,700	1,707,827	3,368,933
Yield per hectare	17.2	17.74	33.85

Production per hectare is more efficient in the United States compared to Australia which is one of the least efficient WWTG countries with regards to production per hectare. Again, this was noted in the cases as significant due to

⁴ Source: AWBC (www.awbc.com/winefacts), the Wine Institute (USA) and the U.S Dept of Commerce data: <http://www.wineinsititute.org>

⁵ Source: UKVA, DEFRA <http://statistics.defra.dov.uk/esg/reports/divagri.pdf>

the type of labour that was used in each country to harvest grapes; in the Australian case, and in Australia more generally, machine harvesting dominates production whereas in the USA, particularly in Sonoma County, handpicked grapes are the norm resulting in a high level of seasonal employment. This became significant in the examination of relationships with employees in each firm. It may possibly account for some of the discrepancy in per litre production, however, the purpose here is not to enter a scientific debate over growing and harvesting techniques. Table 5.3, reflecting UK statistics, shows the yield per hectolitre in the UK is extremely low (33.85 hectolitres). The reasoning for this lower yield in the UK may vary but includes climatic variations and the young age of the vines as well as the watering levels that the fruit are subject to. The yield of the grapes in any given area not only affects quality but in turn, the price received for grapes. The decision about whether or not to 'load' the vines therefore turns into one of a strategic nature. This was significant in both the Australian and American case where both companies sold their grapes to third parties; the strategies of growing were highly significant in relationships with grape buyers, as discussed in Chapter 6.

Over the past year all WWTG countries, including the United States and Australia, have reported increases in winery numbers, the largest increases being in the United States and New Zealand. As Table 5.3 shows, the UK has experienced a significant increase in vineyard numbers, in 2005 there were 351 registered wineries whereas by the end of 2006 over 410 vineyards were registered with the UKVA registering a rise of approx 17%. This rise is, in relative terms, over and above that experienced by any other WWTG country. It is impossible to directly compare employment levels in each industry, partially due to the way in which the measures are audited in each country and partly due to the fact that as so many of the firms are family run that many employees remain officially 'uncounted'. As far as is possible to find out, America estimates that the total level of employment in wine related jobs (including retail and production) is 309,000 in California and 875,000 state-wide. Total direct winery employment in the USA was actually 33,560 (Wine Institute 2007:09). Australia puts the figure of direct employment at 31,000 (all based on 2005 figures). Differences exist in the way in which these were measured, although it is likely that the USA does employ many more in the industry due to not only the size and population of the country but also because wine related tourist activities are much higher in volume in the USA than they are in Australia or the UK. These

areas of informal family employment and of tourist related wine activities growing in the relevant communities were explored in the on-site research. Additionally, interviews with experts and the case companies explored the issue of diversification into wine tourist related activities, including in the UK.

With regards to researching relationships that expand outside the immediate organisational boundaries of the firms, it was considered necessary to explore the levels of exporting and importing in the countries concerned. The New World countries of Australia and America have far lower levels of exports than the traditional Old World three (France, Italy, Spain) who together compromise in excess of 54% of all world wine exports. However, Australia has experienced unprecedented growth in this area, with their share rising from 2.9% of world exports in 1998 to 8.1% in 2004, largely at the expense of France and Italy who have both seen their shares of dominance falling. Combined, Australia and the USA now constitute over 12% of all world wine sales. This growth is occurring at a phenomenal rate, although there is still a long way to go until they attain the levels of the Old World three. Australia has recently overtaken Spain to gain third position in world rankings with regards to exporting value, with fine-wine sales accounting for over 20% of all export sales (Wine Australia 2007b).

The dependency on the export market is far greater for Australia than for the USA where two thirds of all wine sales are domestically consumed. Both the domestic market and the import markets continue to increase in the US, as they have continually for the past decade. As stated in section 5.3.3, per capita consumption is also increasing although it remains relatively small when compared to the likes of Australia, UK or the rest of Europe. This small per-capita consumption in the US (almost 20 litres less wine is consumed on average per person per annum compared to most European countries) demonstrates that a large proportion of the market in the USA remains untapped (Office for National Statistics). The US market is believed to have experienced a growth in consumption more recently due to high levels of direct marketing campaigns, coupled with increasing beliefs of the health benefits of wine and increasing numbers of young people selecting wine over other alcoholic beverages (Wine Australia 2007a). The same could also be said of Asian markets where the health benefits of drinking wine are also being promoted. Again this market development was highly significant in exploring the business relationships that the family firms held; the high potential for development and

growth in internal markets was significant in the nature of the ties that were observed.

When considering import levels the UK becomes an important player in the world market with the highest levels of imports in the world, importing nearly one fifth of the total volume of wine imports worldwide. America lies third, importing 8.7% of the world's wine but with a population far in excess of that of the UK. It also demonstrates that much of the wine consumed in America is domestically produced, again highly significant when considering and observing ties with the local markets of each firm. The same cannot yet be said of the UK where, in 2007, less than 1% of wine consumption was domestically produced (UKVA 2007), clearly demonstrating room for expansion in the market. Despite its position as 3rd largest exporter, Australia lies 27th in world ranking with regards to volume of world wine imports (0.4%). This shows that the majority of wine consumed in Australia is domestically produced. Figures also reflect the lower population in Australia, unique in the sense that it possesses a very large area, good for growers, but with a small population per hectare/area hence more-or-less being forced into exporting their produce, the opposite case as in the United States. It is expected that due to these varying focuses of sales in their respective markets, the US and the UK looking internally for sales, and Australia seeking overseas markets, that their network relationships will also differ in orientation to action.

5.5 Regional Context

5.5.1 California: Sonoma County

California has a lengthy history of agricultural activities and winemaking with wine being the number one finished agricultural product in retail value in the US state. Wine sales within California continue to rise and Californian wines account for over two thirds of all wine sales in America. In total, the wine industry produces \$125.5 billion for the US economy and \$51.8 billion in economic value for California (Wine Institute 2006b). The wine business in California also attracts considerable amounts of tourism, with 19.7 million tourists visiting the wine region each year and generating a total of \$2 billion per annum in wine related tourism in California alone.

Californian wineries are traditionally family owned and, despite the corporate investment in Napa valley, Sonoma county wineries remain predominantly family owned and run. Traditionally, due to the geographical closeness in Californian wine regions and appellations, the wine business is often described as being community based and, with many wealthy families now involved in the industry, charitable contributions from wineries in the state now total over \$115 million per annum (Wine Institute 2006a).

With regards to industry bodies, the USA has two primary government bodies, which also represent America within the WWTG: the Wine Institute, which centres on Californian wine, and WineAmerica or the AVA which represent the whole of winegrowing America and serves largely as a regulatory and information body. These organisations are supported by a plethora of region specific associations. The American case study took place in Sonoma County. As depicted below, Sonoma lies on the opposite side of the mountain valley to the better known Napa valley and, despite being very close in geographical proximity, the two counties remain quite distinct, dealing specifically with their own associations and related regional bodies. Sonoma county wineries are more geographically dispersed and cover a wider geographical area than adjoining Napa (Sonoma occupies over a million acres in total). Some rivalry exists between the two areas, Napa being depicted as more corporate and attracting higher rates of tourism due to its close proximity of wineries.

Within Sonoma County there are a couple of prominent wine bodies, including the Sonoma County Wine Association and many off-shoot bodies such as the local Grape Growers Association (SCGGA) and the Vintners Association (SCV), all of whom share a joint location in the centre of the county. Within Sonoma County there are 12 appellations (as seen in Figure 5.5), which are distinct from one another and operate in quite separate ways. Membership to these associations is voluntary, however, there are a number of initiatives by the local SCGGA to make growers give a percentage contribution of their grape sales to the Association for collaborate initiatives. These fees predominantly go towards marketing but also for regulation, research and development. There are also a large number of re-branding initiatives being undertaken by these associations, many collaboratively, to promote the identity of Sonoma as a wine county to

both tourists and industry officials in an attempt to raise sales, exports and grape value.

Table 5.4: Economic Impacts of Sonoma County Grape and Wine Production

	Employees	Annual Revenue
Grape Production	3291	73 million
Wineries	5969	235 million
Number of wineries	254*	\$2.1 billion sales revenue *
Number of grape growers	1,800	
	58,665 acres under vine	
Local taxes generated		5.4 million
State taxes generated		11.3 million
Wine related tourism (2004)**		4 million
Tourist spending		1.08 billion

Source: *Economic Impact of Californian Wine – 2004*, prepared by Motto, Kryla Fisher LLP.
* Figures from the SVC and SCGGA (2007)

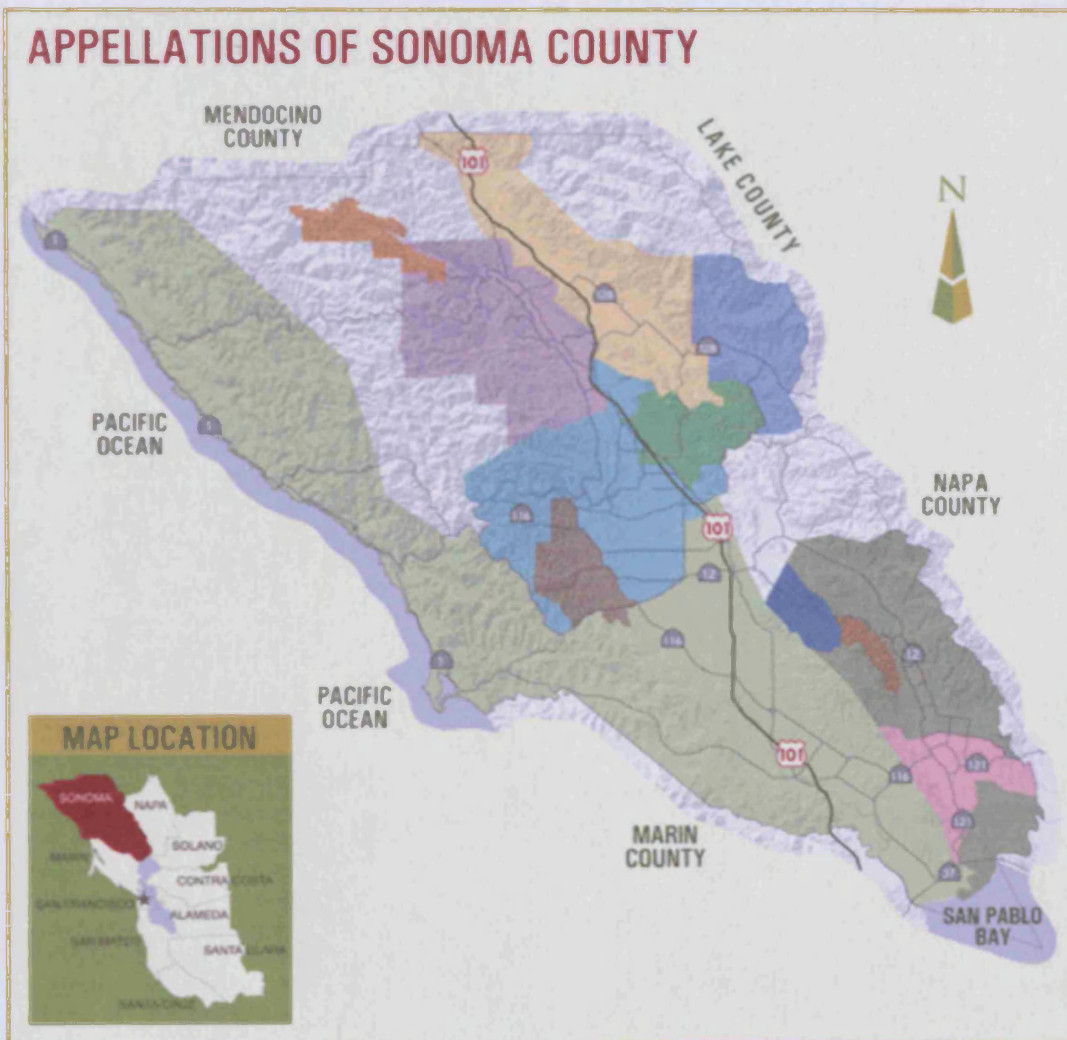
Sonoma is renowned as an ideal grape growing region; frequent fog rolls in from the Pacific Ocean in the evening and early morning, acting as air conditioning for the grapes, before the sun arises. This temperature differential is significant as the grapes benefit from an extended growing season, developing flavours whilst retaining their natural acidity. Within the Russian River Valley appellation itself, Chardonnay and Pinot Noir are the dominant varieties grown, together accounting for over 71% of total tonnage. It is a combination of these features, and the thriving wine US wine market, that has resulted in a continued rise in growth output for Sonoma county as a whole in recent years:

Table 5.5: Sonoma County Wine Related Growth 2005-2006

	2004	2005
Grape acres	60,065	63,825
Tons Harvested	168,783	230,910
Average price/ton	\$1,869	\$1,871
Sonoma County Grape Value	\$310 million (59% of ag total)	\$432 million (68% of ag total)

Source: *Sonoma County Agricultural Crop Report 2005* (Correia 2006)

Figure 5.6: Appellations of Sonoma County



Key

- | | |
|--|--|
|  Alexander Valley |  Knights Valley |
|  Bennett Valley |  Rockpile |
|  Carneros |  Russian River Valley |
|  Chalk Hill |  Sonoma Coast |
|  Dry Creek |  Sonoma Mountain |
|  Green Valley |  Sonoma Valley |

Vineyards in Sonoma County are productive in terms of output, for example, the average acre of vineyard in Sonoma averages five tonnes of grapes, resulting in 13.5 barrels or 3,985 bottles of wine. This is vastly different from the UK where the average output from an acre of vineyard lies at an average of 1,477 bottles of wine per acre. Efficiency in terms of volume of production per acre is therefore far higher in this region where the growing conditions are preferable and the vineyards and vines themselves are more established.

5.5.2 Western Australia; Pemberton

As documented, wine production in Australia has been growing at a phenomenal rate, with exports growing 100 fold from \$10 million in 1990 to \$1 billion in 2000. The AWBC is the primary legislative and regulatory force in the Australian wine industry but it is supported by a number of other bodies, namely the Grape and Wine Research and Development Corporation and Austrade, the trade commission that deals largely with exports in the industry. In an attempt to attain a benchmark for the quality of all Australian wines, and reflecting the high exportation levels, the Australian Wine and Brandy Corporation (AWBC) (the governmental body for the wine industry), have introduced a compliance regime requiring all wines to be inspected and approved prior to exportation. This is similar to the UK quality wines scheme where a wine has to be judged against a range of different requirements in order to be classified as a 'quality wine' as opposed to being labelled table wine.

Australia is represented at the WWTG by the Winemakers' Federation of Australia (WFA). Membership to the WFA is voluntary but the organisation does represent over 95% of the wine produced in Australia. The Federation is comprised of two electoral colleges, the Australian Wine and Brandy Producers Association and the Australian Winemakers' Forum. As in America and the UK there are also membership state and regional wine associations. The structures of these regional wine associations are very similar in each of the three countries studied, however, their effectiveness and use varied between the countries studied. Western Australia, the site of the case, has one state association, the 'Wine Industry Association of WA' (WIAWA), which is coupled with the nine wine regions within the state (see Figure 5.9). These areas vary greatly with regards to the concentration and number of wineries within each

region and the level of activity of each regional association. The WIAWA does not specifically refer to these regional associations and considers some, such as Margaret River and the Swan District, as being much more significant than others. It tends therefore to be the 'big players' in the smaller regions that use WIAWA as the larger associations, such as Margaret River, are more self-sufficient. Additionally, two of the regional areas, the site of this case included, were only 'gazetted' (made official wine regions) very recently in 2005 and are therefore still in the process establishing their identity as an association.

Australia has over 2,000 wine companies with 150,000 hectares under vine in the country. Western Australia has 10,460 hectares, or 26,150 acres under vine. It is therefore a much smaller producing state than eastern and southern states, producing just 1/15th of the country's total grape output. This compares to Sonoma County, in California, that holds over 58,000 acres under vine. Sonoma County is vastly smaller in terms of geographical area than Western Australia but covers twice the amount of acreage under vine. Pemberton, the region in which the Australian case took place, is one of the smaller regions with just 2,150 acres under vine, comparing to the Russian River Valley Appellation in Sonoma which covers some 15,000 acres under vine. The area of grape production in Pemberton equates very closely to the area under vine in the UK as a whole:

Table 5.6 Country Demographics⁶

Country	Area Land Km 2	Arable Land %	Arable area Km 2	Population	Population per Km
Australia	7,617,930	6.55	498,974	19,913,144	2.5
America	9,161,923	9.13	1,752,676	293,027,571	29
United Kingdom	241,590	23.46	56,677	60,270,708	244

⁶ Source: Central Intelligence Agency (2005) *World Factbook*; Washington DC

Clearly, the countries as a whole are vastly different in terms of area and population. Australia and America are similar in terms of size however their population differs greatly. Significantly the UK is much more densely populated per kilometre squared than both America and Australia where there is a very small population per kilometre. This is significant for the study in terms of understanding the rationale for exporting in Australia and also for comprehending the network relationships in which the firms engage in terms of their geographical context and local area. This becomes even more apparent when considering the localities of each case:

Table 5.7: Locality Demographics

Area / Locality	Population	Land Area, Km 2	People per Km 2	Acres under grape production
California	36,457,549	423,970	90	448,003**
Sonoma County	466,891	4,082	112	58,665
Western Australia	1,600,000 1.2 m live in Perth itself	2,529,875	0.83	26,150
Pemberton	9,880	7,027	1.41	2,150
England & Wales	53,767,500	151,174	264	2,281
South West England & Wales*	7,933,058	44,608	160	Estimated at approximately 40%***

* South West England and Wales together comprise the South West Vineyard Association (SWVA) in the UK, the region in which the UK case took place.

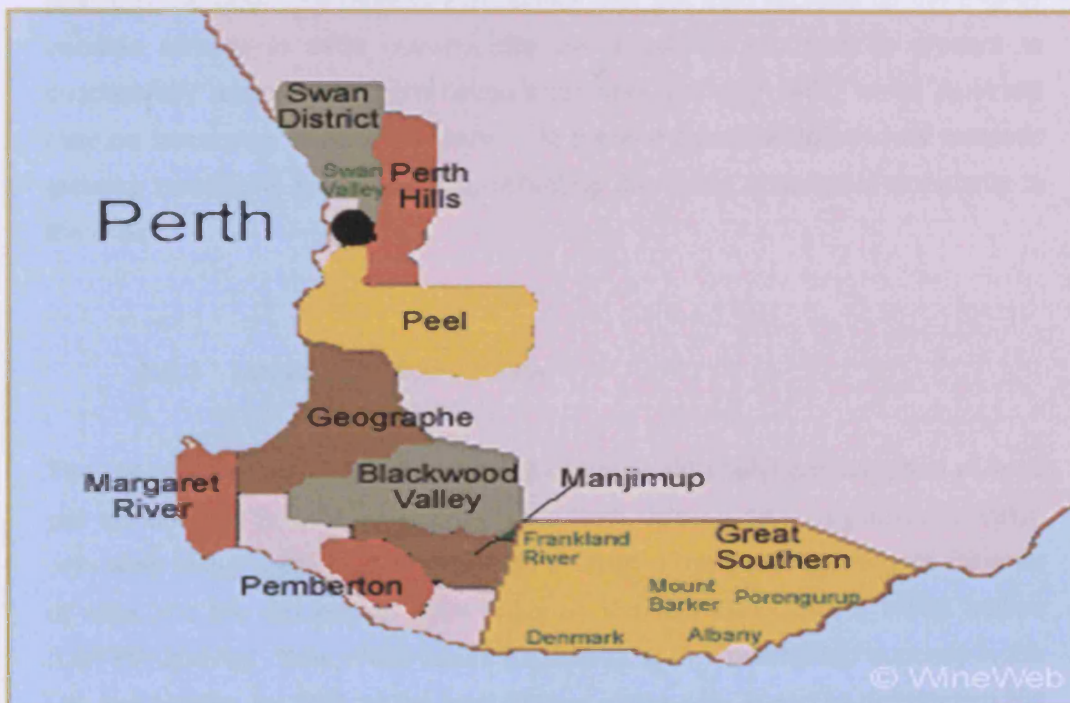
**Source: Wine Institute of California, 2006b

*** SWVA representative estimate. No official production statistics available to confirm.

Recently the oversupply in Australia was exacerbated by very large harvests in 2004, 2005 and 2006 resulting in price falls particularly at the lower end of the grape quality market. Oversupply was expected to be a problem until at least 2012, however, recent droughts have brought the lowest yields in seven years for Australian companies according to 2007/2008 figures. Consequentially, with Western Australia having a cooler temperature than Eastern states, the demand for grapes in Western Australia has risen significantly. The growers in this area

can now demand a higher price for their grapes and negotiate contracts with preferred suppliers with the growers holding the upper hand in negotiations. In both cases in Australia and America the companies had a significantly higher ratio of grapes to wine made and therefore selling the remainder of their crop was of particular importance. Contracts and relationships with suppliers were, therefore, highly significant relations to explore in all cases.

Figure 5.9 Wine Regions of Western Australia



Pemberton as an area has largely developed in line with the recent surge in demand for Australian wines more generally. Experimental plantings occurred in the late 1970s and commercial vineyards were first established in 1982. It is situated in the south west of Western Australia, lying south east of Margaret River itself. Over 85% of the region still lies under natural vegetation. Similar to the Russian River Valley, Pemberton has a maritime climate with a high heat day summation, meaning its grape growing climate, with cool mornings and high afternoon heat, is very similar to that experienced in the Russian River Valley. Additionally, as in the Russian River valley, there is a prolonged period of grape growing due to a combination of southern latitude and high altitude. Due to the

high rainfall many vineyards in the area do not use irrigation methods, which can be highly advantageous due to the water restrictions often placed upon the area.

Pemberton is often described as being suited to Burgundian varieties of wines and again, similar to the Russian River Valley it grows a high concentration of both Chardonnay and Pinot Noir grapes. Other popular grape varieties in the area include Sauvignon Blanc, Cabernet Sauvignon and Merlot. Similar to the UK the success with Pinot Noir grapes in table wines has been variable – also like the UK the use of Pinot grapes in sparkling wine has produced great results. The reasoning for Pinot Noir grapes being highly popular but variable in quality amongst the countries reflects their similar soil but also represents the slightly variable climate in each country, the UK is slightly too cool at present to successfully achieve the right flavours for non-sparkling reds, whilst Australia may be becoming slightly too warm. At present Sonoma county has fantastic growing conditions for the variety, reflecting its recent upsurge in popularity in the area.

5.5.3 United Kingdom: Wales

The UK currently accounts for over 5% of the world's total consumption of wine per annum and is constantly growing in both volume and, in particular, value with wine value breaking the \$ 4 billion in 2004. The UK is the largest importer of wine into the EU and in 2004 imported the equivalent of 1.8 billion bottles (DEFRA 2007b). New World wines experiencing unprecedented success in the UK, accounting for 55% of the total market share with Australia dominating but the US imports are increasingly catching up on this position. Both America and Australia have bilateral agreements with the EU.

Despite the UK not being a member of the WWTG they do have industry bodies regulating the production and sales of UK wine. This regulatory function is carried out by the UK Vineyard Association (UKVA) who work in conjunction with DEFRA and the Wine and Spirits Trade Association (WSTA) amongst others. Similarly to the other countries studied the UK is also divided into six regional wine associations. These are not legally binding, like the AVAs in the USA or the gazetted areas in Australia and companies can belong to more than one

regional association. Membership is strongly encouraged but not obligatory, as in the other cases. The UKVA, previously called the English Wine Association, was set up in 1996 to recognise the growing number of vineyards in Wales and to allow them their own 'identity', however, Wales does not yet have its own regional association, rather it is incorporated into the largest association in England, the South West Vineyards Association (SWVA).

Despite the UKVA sharing similar regulatory and informatory functions as the Associations in the other countries, it does differ in its function as a marketing body. Currently the UKVA does not aim to assist with publicity of vineyards, or indeed market themselves as a brand, instead preferring to keep matters within technical and social remit. This differs vastly from the more established region of Sonoma where joint marketing and promoting 'community' is very much the primary function of the association. The role of these Associations was highly significant in the relations that were observed in each of the cases and is discussed in further detail in Chapter 6.

With regards to production, UK wine domestic production currently accounts for 0.09% of total consumption (3 million bottles) (compared to Australia which export this number of bottles every 48 hours). It is widely recognised that interest in locally produced wines is growing, with 351 active vineyards in the UK in August 2005, covering 790 hectares. 17 of these were in Wales and the rest predominantly in the southern Counties. Whilst interest and numbers of vineyards are growing, there is still belief amongst industry experts that the UK industry will never attain a large percentage of market consumption, due to not only the relatively high cost of production but also the climate and geography being 'not amenable' to large-scale production (Wine Australia 2007c). As shown in Tables 5.7 and 5.8, the UK has a much higher population density and is much smaller than the other countries and therefore potential for geographical expansion is limited at best.

Initially, at least, it seems as if the UK has been undergoing a surge in demand for its wine, along with the increase in demand for locally grown produce and 'buy local' campaigns. It is also increasingly accepted that the UK is developing wines of quality, particularly in the champagne style wines. In November 2007 supermarket chain Waitrose announced that English wine sales had grown 120% year-on-year. English sparkling wines have been consistently gaining in

quality and reputation and in this area sales grew 360% during November alone, outselling Claret sales online. At present Waitrose stocks 11 UK wines, but plans to increase this amount, now viewing them as seriously as many other countries produce (SWVA 2007). Whether or not this demand continues to increase remains to be seen and the market sector at which Waitrose aims suggests that it is the more wealthy consumer that is prepared to buy UK wine.

As documented in section 5.3 the UK winemaking industry has gone through ups and downs but since 2003 the up-surge has been relatively rapid when compared to the gradual rise and decline of the decades before. Along with the rise in number we have also seen the average scale of the vineyard increase. Whereas in the early 1990s the vineyards averaged just 1.98 hectares (approx five acres), suggesting small-scale, local production and selling, now the average size is over 2.55 hectares (nearer seven acres), suggesting the vineyards are now looking to sell to a wider market segment and have a broader target market in mind than their former counterparts who aimed to just sell to a very local market. This production is expected to increase with more plantings year-on-year, growing by a third since 2004, primarily in the form of champagne style grapes. It is anticipated that production will increase by a further 58% once these vines begin to mature and produce their first vintage (UKVA 2007).

The latitude in which the UK is situated would normally make the successful growing of wines impossible, as many still believe, however the warming of the Gulf Stream has meant the climate is now more suitable for grape growing, particularly grapes that require high levels of acidity such as Champagne varieties (Pinot Noir, Chardonnay, Pinot Meunier). It is predicted that climate change will continue at an even greater pace and therefore it is said that France may eventually become too hot for some types of grape production, leaving the UK Southern Counties, with similar terrain to that of the Champagne region (subsoil of chalk or limestone), to take its place (Lechmere 2007). This is, of course, subject to intense debate. An example of this can be found at Nyetimber who deliberately developed on the Greensand, in South East England, to emulate more closely the conditions of the Champagne region and have very recently won their international sparkling wine competition, beating all French entries. To demonstrate the increasing recognition of the 'closeness' of geographical conditions to the Champagne region, over 15% of grape cultivation area in the UK was dedicated to champagne style grapes in 2001 (Skelton

2001) and by the end of 2005 this figure was estimated to be over 21% (DEFRA 2006b). Additionally, although it must not be overstated (as has been the case in the British media), French companies are increasingly exploring the possibility of investing in British soils with a few have already made the leap, including Duval Leroy the large French Champagne company who, in 2007, year invested in a 100 acre plot on the South Coast in Dorset aiming to produce their first vintage using the 'methode champagne' in time for the 2012 Olympics (Lechmere 2007).

A significant agreement has just been reached with the EU that has secured the future of the UK wine growing business. The EU ruled in December 2007 that the current EU planting ban, introduced to reduce oversupply, would not apply to the UK (these Trade Agreements are summarised in Appendix 6). Consequentially the UK planting regime can continue. Planting restrictions have been seen as the biggest barrier to UK expansion under which the UK would have had to stop planting when over 3.3 million bottles of wine were being produced (over an average of 5 years). The ban was due to be in place until 2015 and the UK would have therefore been restricted in terms of growth (as expectations on production is 4 million bottles by 2012), but the UKVA and DEFRA argued that restricting the industry would go against the workings of the new CAP agreement, particularly as the UK wine industry is completely unsubsidised. The ban will remain in place in the rest of Europe (English Wine Producers 2007).

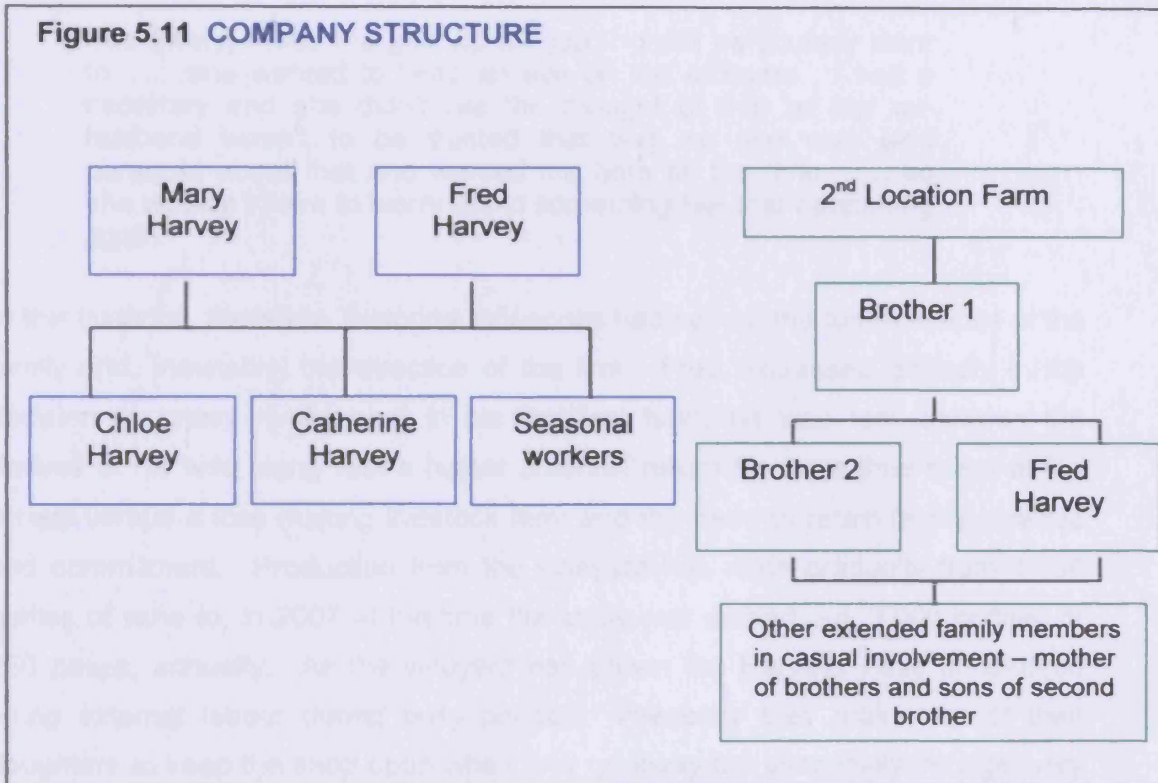
5.6 Introduction to Cases

Table 5.10 Comparative Overview of Cases

	Case 1: UK Abbey Vineyard	Case 2: USA Clifford Vineyards	Case 3: AUSTRALIA Windybank Wines
Location	South Glamorgan, Wales, UK. 2 farm sites	Russian River Valley AVA, Sonoma County, California	Pemberton, Western Australia
Year of first grape production	2001	1977 grapes grown for fruit, wines in 2001	1989. Further plantings in '91, '96, '98
Year Farm established	1998 at vineyard. 2 nd farm est. 1950's	1977	1950s
Total Area under vine	1.5 acres	650 acres	272 acres
Total volume of wine production	270 cases	25,000 cases in 2007, growing 5,000 cases per year	1,000,000 litres, between 15,000 and 30,000 cases per year
% of grapes for own wine	95%	10%	30% , 70% sold as grapes or bulk
Other activities of business	Farming	None. Formerly produce growing	Avocado & truffle growing
Number of employees	0. Family and casual labour only.	26. 16 on winery site plus 10 permanent farm workers and up to 35 casual workers in harvest	13. 9 Direct in the winery + 4 in vineyard. 8 Board members in Australia, + 6 board members in UK and family. Also farm staff at another location.
Generation of the business	4th generation in farming, 1st generation in wines.	1st generation	3rd generation for the land and farm, 1st for wine production
No. of family working in business	2 Husband and wife, plus other family members on need basis	3 husband and wife, plus wife's father	2 Brother and Sister
Set up as how many companies?	3 companies – vineyard, farming at 1 st location and second farm	3- in legal terms: land, winery and vineyard companies. Operates as one.	3 companies legally; vineyard, winery and avocado company. Operates as two.
No. of labels of wine produced	1	2 – one label only sold outside the county	2 – primary and second label only available domestically
Main varieties of wine produced	Seyval Blanc, Chardonnay, Gewürztraminer, Pinot Noir	Chardonnay, Pinot Noir, Zinfandel, Pinot Gris, Gewürztraminer	Cabernet Sauv, Chardonnay, Malbec, Merlot, Pinot Noir, Sauvignon Blanc, Semillon, Shiraz, Viogner
Cellar door retail?	Yes	Yes	Yes
% of sales at cellar door	90%	20%	10%
% of wines exported abroad	0	0, but 30% outside state	50% overseas, 40% over State
Use of distribution company?	No	Yes, on occasions	Yes for all sales other than cellar door

UK: Abbey Vineyard

Figure 5.11 COMPANY STRUCTURE



History and Current Situation

Fred and Mary, the husband and wife team, took over the abandoned vineyard in 1998, working on re-establishing the vines, before the first vintage of wine was produced in 2001. Since then production has steadily increased due to a number of factors including the weather patterns, the older vines becoming healthier and the new vines they had planted themselves beginning to produce a crop. The work has been tough and arduous and has involved many emotional ups and downs. Initially they began to produce wine as a sideline to farming, with Mary doing the majority of vineyard work and Fred continuing with the farm side of the business, in addition to having an external job. However, after their first production batch sold well and tasted, in their own words, 'surprisingly good', they realised that there was perhaps more money to be made from the production of grapes than there was from selling sheep or cattle. Fred spent more time in the vineyard and the shop was opened. At this point the couple decided to commit fully to producing wine and Fred gave up his outside job as manager of a garden centre.

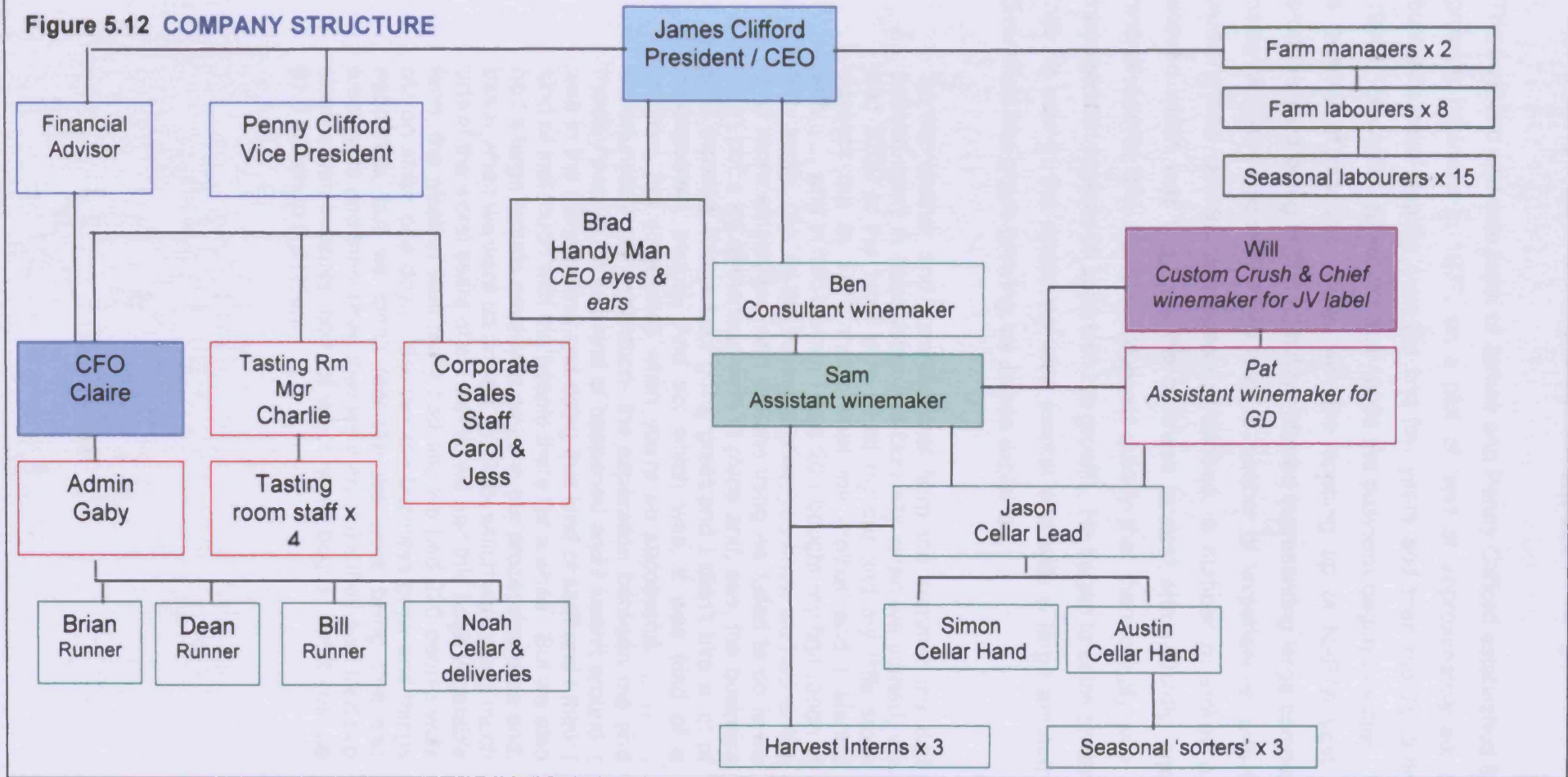
He saw himself as rather 'forced' by Mary to give up this job and spend all his time at the vineyard and he does not attribute this solely to the demand and production increasing but also emotional issues:

She [Mary] made me give up my job, I didn't particularly want to.....she wanted to keep an eye on me at home. I had a secretary and she didn't like the thought of that as her ex-husband wasn't to be trusted that way so she was also paranoid about that and wanted me here all the time..... so she wouldn't have to worry about something like that happening again.

In this instance, therefore, historical influences had set out the future actions of the family and, inevitably, the direction of the firm. Fred expressed difficulty in the decision to retain involvement in his families' farm; he was torn between the desires of his wife along with a higher potential return for more time spent at the winery versus a loss making livestock farm and the need to retain family loyalties and commitment. Production from the vineyard has risen gradually from 1,000 bottles of wine to, in 2007 at the time the study was carried out, 3,000 bottles, or 250 cases, annually. As the vineyard has grown the Harveys have considered hiring external labour during busy periods. Presently they make use of their daughters to keep the shop open when they go away but essentially they get very less time off. The daughters' own businesses are developing and they are having increasingly little time to help out at the vineyard. The Harveys also have developed a strong relationship with another local winery and they have made use of labour exchanges frequently during harvests, helping each other pick grapes. This, however, is increasingly becoming untenable as their partners' businesses also grow and time constraints on both couples increase. The choice to employ external labour is not straight forward, however. The couple are very reluctant to enter all the bureaucracy that is involved with employing someone in their business and the fear of red-tape has, so far, deterred them from hiring another person, instead choosing to keep the business within their control (discussed in Chapters 7 and 8). The participant researcher role in this firm was to undertake daily activities as the owner-managers did; including a high percentage of time spent working in the field but also undertaking duties in the farming side of the business with the livestock, as necessary. Interactions with consumers were frequently observed.

AMERICA: Clifford Vineyards

Figure 5.12 COMPANY STRUCTURE



Key:

- Winery / cellar staff
- Management

- Farm / field workers
- Office staff

- People involved in custom crush and joint ventures who are based on site at the winery

Clifford Vineyards: History and Current Situation

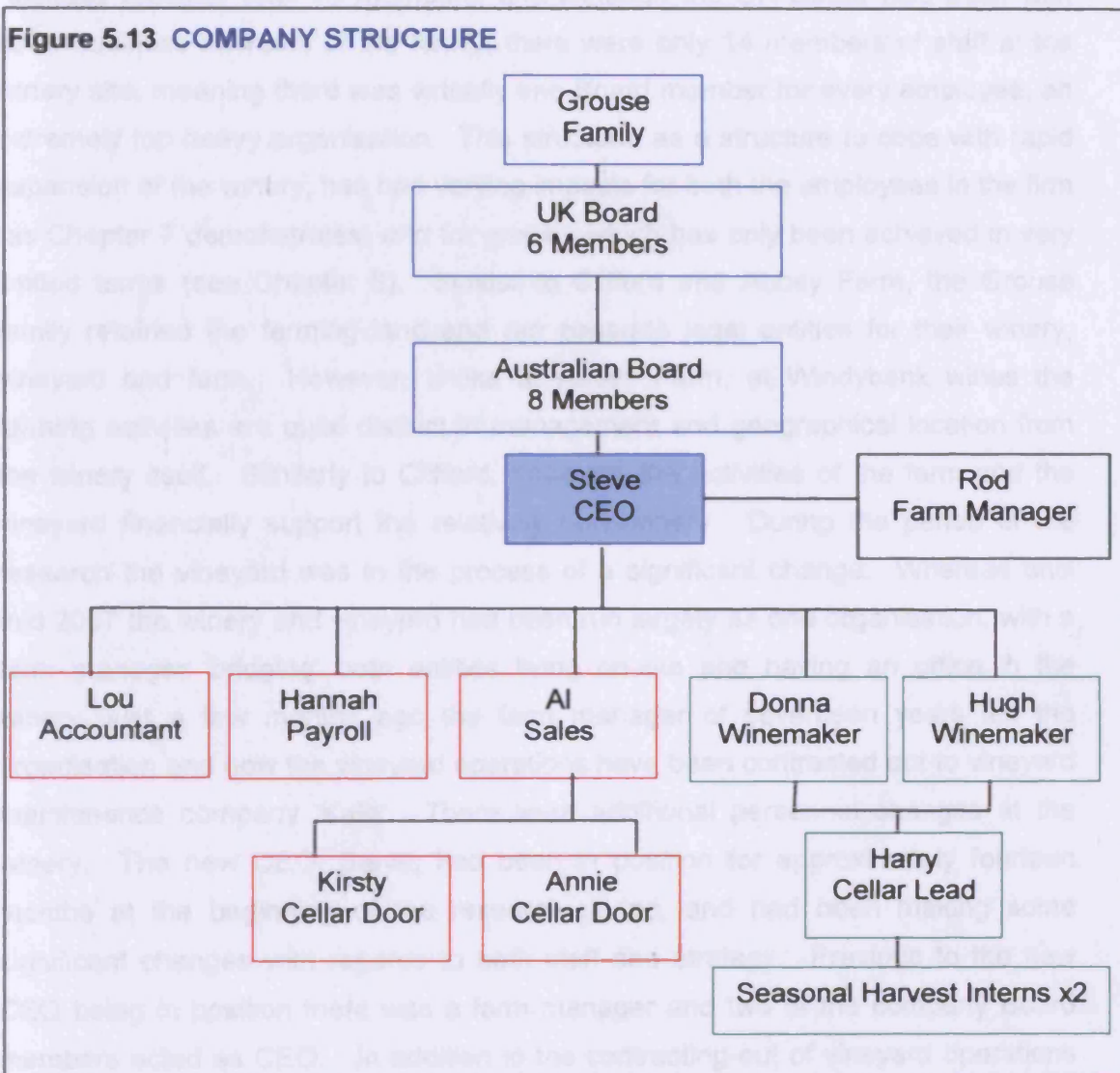
The husband and wife team of James and Penny Clifford established their produce growing business in 1977, on a plot of land of approximately six acres. The business grew steadily over the first few years and then rapidly during the early 1990s. However, during the late 1990s the business began to suffer. This was for a number of reasons, firstly, with the opening up of NAFTA vast amounts of produce were being imported in from Mexico representing large competition on the basis of cost. Secondly there were a number of 'experiences' with the produce workers who decided to become unionised; a number of strikes and lawsuits ensued which was tough for the business to deal with. Thirdly, and as James himself admits, the business grew so quickly that there simply was not enough management in place to cope with the growth. He began to seize on an opportunity that he saw in the upcoming wine market and with a large amount of land he diversified into grape growing, as James explains:

So my mother and I worked that farm the summer my dad passed away in September and basically when we started, we had \$200 in the bank plus I had my car and my little stock account but in 1977 that's what my mother and I started with..... and in 1981 when I was 20 I bought my first ranch of forty acres. So, as the business grew, you know we had to hire a lot more employees, and the one thing we failed to do is we didn't put a lot of management in place and, see, the business kept growing, things kept going great and I didn't hire a lot of management people. And so, which was, it was kind of a mistake, but sometimes when you're so successful..... Unfortunately my separation- the separation between me and the key people - it just kind of happened and I wasn't around, I was in the office selling and doing that kind of stuff and I think I kind of lost touch with the people there for a while. But we also had a large female employee group in our processing area and, this is when we were unionised, in 1988- which was pretty much one of the worst years of my life- so we had this huge vegetable farm, the weather was really bad and we had 220 people walk out on strike one day.... So, yes the business grew and things happened, but we didn't feel like we were being that bad employers and then when they went on strike they also filed two class-action lawsuits, both of which were bogus, but it cost us \$1.5 million to fight them.

This quote demonstrates how historical experiences are at the forefront of the mind of James with regards to taking the wine business forward. Issues associated with a fear of loss of control become apparent. Although James believes that he has learnt from his past 'mistakes' in growing the business from last time, it is questionable as to how much he has altered from this past experience in practice (as discussed in Chapter 8). As Table 5.10 shows, the company now employ 26 full time staff, in addition to a large number of seasonal workers, so, during busy periods the firm may have up to 60 employees. As the organisation chart shows, however, there is very little responsibility delegated, reflecting a continuing reluctance to delegate control; the husband and wife are the chief decision makers in the organisation, along with Claire, the long-standing CFO. Penny's role in the organisation has changed; at the inception of the winery she was highly involved in the firm and now continues to take responsibility for being the marketing manager although this commitment is falling as she desires to spend more time with her school age children. This seeming reluctance to spend time at the firm has created difficulties with the other employees at the firm and for Penny's own emotional wellbeing as she sees her loyalties are being torn (discussed in Chapter 7). As the organisation chart also shows, the proportion of staff involved in manual roles are significantly higher than in administrative roles; contrary to the case at Windybank wines, as will be illustrated. Here, the participant observation role undertaken was that of Harvest Intern, working in the winery side of the organisation, at the central winery with the cellar and winemaking teams. The job involved was to work as a lab oenologist, to select and test when the grapes were ready for harvesting and post harvest, when they were ready for press. The role was highly intensive and often involved working 14 to 16 hour days during the harvest period. A significant amount of time was spent with the winemaking team; Sam, Pat, Jason and the two consultant winemakers, along with the cellar hands and other harvest interns. There was a lot of interaction between the staff at Clifford and there were frequent social events that I attended, both with the winemaking team and also with the owner-mangers at winery events.

AUSTRALIA: Windybank Wines

Figure 5.13 COMPANY STRUCTURE



History and Current Situation

Windybank wines are a third generation family business in terms of their farming activity and land ownership but having only diversified into winegrowing in 1989. The family themselves are situated in the UK, in Scotland, and visit the winery site twice a year. The current family owners are a brother and sister team, Richard and Margaret, having inherited the farming business and land from their parents and using part of the land to set up the winery in 1989. It is because the family are physically distant to the winery that they have structured a Board of Directors in

Australia (which they too sit on) to deal with business decisions and to act in the best interests of the family when they are not present. As the organisation chart shows, the company is extremely top heavy. The Board of Directors in the UK and Australia together total 13 members, and although the UK Board also dealt with other business interests of the family, there were only 14 members of staff at the winery site, meaning there was virtually one Board member for every employee; an extremely top heavy organisation. This structure, as a structure to cope with rapid expansion of the winery, has had varying impacts for both the employees in the firm (as Chapter 7 demonstrates) and for growth, which has only been achieved in very limited terms (see Chapter 8). Similar to Clifford and Abbey Farm, the Grouse family retained the farming land and ran separate legal entities for their winery, vineyard and farm. However, unlike at Abbey Farm, at Windybank wines the farming activities are quite distinct in management and geographical location from the winery itself. Similarly to Clifford, however, the activities of the farm and the vineyard financially support the relatively new winery. During the period of the research the vineyard was in the process of a significant change. Whereas until mid 2007 the winery and vineyard had been run largely as one organisation, with a farm manager 'bridging' both entities living on-site and having an office in the winery, just a few months ago the farm manager of seventeen years left the organisation and now the vineyard operations have been contracted out to vineyard maintenance company 'Kato'. There were additional personnel changes at the winery. The new CEO, Steve, had been in position for approximately fourteen months at the beginning of the research period, and had been making some significant changes with regards to both staff and strategy. Previous to the new CEO being in position there was a farm manager and two of the company Board members acted as CEO. In addition to the contracting-out of vineyard operations there were changes made to the winemaking team. As Steve, CEO stated on my arrival 'there have been a lot of changes over the past few months. Our chief winemaker has left, gone on maternity leave and wants to come back on very few hours which doesn't suit us so we are in the process of sorting out another chief winemaker'. The growth strategy of the firm at first appeared slightly confused, in some respects they were increasing staff, employing a further chief winemaker (conversely Clifford vineyards produced far more and only had two assistant winemakers and two consultants), whereas in other departments they were cutting back on staff numbers. I questioned at the beginning of the case as to why they

were looking to employ more wine makers whilst simultaneously cutting back production. Here, due to the fact that there was not a manager on site at the time of the study, the role undertaken as a participant observer was more widely varied participating in jobs as and when required, in the office, lab and cellar. There were limited social interactions between staff and some employees expressed dissatisfaction about the number of social events and the bureaucratic process they had to go through to get permission to undertake non-business related activities (discussed in Chapter 7). It was anticipated that, at this site, there would be less interaction with grape buyers as the proportion of grapes sold as total production was far less than at Clifford, possibly suggesting that with a smaller number of relations exchanges may be closer in nature, however, on arrival at the site it became obvious that this was not the case, as the following chapter reflects.

Chapter 6

External Exchange Relations

'The One Crop Circle'

6.1 Introduction

The previous chapter introduced all three firms that were subjects of the field research. It aimed to give an insight into the major demographics of each company and the key actors that formed a part of the observational study and with whom I interacted on a frequent basis throughout my time on-site. It also outlined the development and current state of the wine industry in each of the respective locations that formed part of the research. This context was highly significant in understanding many of the observations that were made during the fieldwork, for example the relationships with the consumers, which could not be understood without prior knowledge of the demographics and buying habits in each area. This chapter, the first of three data based sections of the thesis, explores the issues that were raised in relation to ties that were external to the firms, describing the various exchanges that occurred and analysing these in relation to the research objectives. The data presented adds to our knowledge of all of the research objectives but, in particular, it highlights the significance of research objective two, to assess whether or not particularistic ties are the dominant forms of exchange in each of the cases. Also important are research objectives one and three; to consider the influence of the family on the relationships held, and to explore the effect of these firms being embedded in the local context. The way that the data are represented necessitates the discussion chapters to make use of the first person narrative on frequent occasion.

The basis of relationships was found to vary within each firm and, for many, was dependent on the individual actor involved. This finding was expected, as the literature review highlighted that the blend of transactions seen would depend on the personalities involved (Carney 2005). There were, however, observed commonalities between the firms, as well as quite marked differences in

orientation to action where the influence of the founding family was found to be highly significant. Evidently, the differing nature of exchanges held both positive and negative effects for the businesses concerned, especially with regards to preferred relationships with other family or local firms, the motivations for which are explored. It becomes clear that despite commencing with a discussion of traditionally 'external' ties, in fact in many instances these apparent externalities have been internalised into the business; no longer distinctly 'outsiders' but inextricably interlinked into operations and 'formal' boundaries of the firm; demonstrating support for the adoption of Gersick et al's (1997) three circles model of viewing the family, business, and ownership and three overlapping sub systems. Largely through the use of interview material, the duration and shifting dynamics of ties is explored from the point of view of the case firm and, where possible, their network partner.

This chapter commences with an analysis of community relations, which formed an important research objective one. These relations were observed to be of critical influence to the exchanges that were visible within firm activity, accounting for a large part of the 'grey' area that was identified to exist for exchanges in these firms. Next, the nature of family and friendship ties are examined. Again here, family involvement was found to be highly influential especially in the particularistic selection of friends as suppliers to the firms. Then, the chapter turns to relationships that firms were observed to have with local and national industry bodies, where a significant difference was found between relations with local organisations but many similarities were observed between relations at national level. Following this, a range of other significant external relationships that were observed to influence systems of exchange are presented. These relations include supply chain relationships with grape buyers, custom crush clients, competitors and distributors. Lastly, a discussion is presented on the visible 'grey area' of ties, where relations are found to exist within and between formal organisation boundaries and therefore cannot be described as either but are fluid, dynamic and ever changing.

6.2 The Nature of External Ties

Following the propositions of both Aldrich (1979) and Child (1997) organisations are essentially open systems which interact with the environment and their

behaviour is best understood by studying the networks within which they are involved. In specific reference to SME's and family businesses, the literature has highlighted the importance of Personal Contact Networks (PCNs) to the success of businesses, arguing that networks can provide owner managers with vital resources which, if managed effectively, can aid problem solving and increase the speed of decision making (Taylor and Pandza 2003). Family businesses are also believed to exhibit a 'complex mix' of social and professional ties, bonded by trust (Anderson et al 2005). This leads one to believe that tie portfolios will be diverse but that particularistic ties will dominate exchanges and there may be tension between instrumental and substantive rationalities where the emotional values and family logic of the owner-managers conflict with the corporate logic to succeed and be profitable. Relationships in these family owned businesses have also been found to be more 'multiplex' involving friendship, information and business exchange (Anderson et al 2005; Human and Provan 1996; Mulholland 1997), again suggesting the dominance of particularistic relationships, also highlighting the need to consider the dynamic nature of such exchanges. The case study data collected are considered in relation to one another and it becomes clear that such networks manifest themselves in different ways and are of varying importance in each of the firms studied. These data provide support for the contentions of the multiplex nature of ties and the tension that exists between substantive and instrumental rationalities in conducting exchanges.

The material gathered also aims to assess whether or not, as asserted by Hanna and Walsh (2002:201), networking is 'primarily a competitive response' in small business operation. More specifically, relating to the family business such as these 'the sharing of resources, including social networks, between the family and business is a major influence on the ability of each to thrive' (Editorial JBV 2003:560). Referring back to literature covered in the review, the work of Dyer (2003) in extending the model of Siebert et al (2001) becomes of particular importance. As stated, Dyer (2003) believes that three variables related to the family may be added to the model of Siebert et al (2001) to make it particularly relevant to the study of family firms; (1) involvement of family members in the organisation, (2) familial social capital, and (3) access to senior family members. When taking these factors into consideration, it is possible to see the model is significantly altered, demonstrating 'in the context of family firm, one's social

capital within the family and strong ties to senior family members, not weak ties, will likely lead to greater contacts, access to information' (Dyer 2003:407). Aldrich (1999) and Aldrich and Zimmer (1986) additionally concluded that strong ties established by founders had a highly positive influence on the business. This finding is, however, subject to intense academic debate, as the literature review reflected. These pieces of research led to the formation of research objective one, to consider the influence of active family members on the business. In understanding this contention, the following discussion highlights issues of family social capital when considering these external networks.

6.3 Community Relations

Many authors have commented upon the importance of the local community to the family owned business (Dunn 1996). Community influence is often referred to in terms of 'social embeddedness' of the owner-manager (Brush et al 2001). The study by Brush et al (2001) found varying levels of such embeddedness with the community in each of the cases studied, a feature which was found to depend on a number of influences; firstly, the involvement of the owner and founder in the day to day running of the business; secondly, how 'visible' the family were in the community and, thirdly, how long the family had been situated in the community. These factors were enhanced by a fourth mediator, the emotional feeling of the owning family towards the community in which their business was situated.

In the case of America, the founding family had been born in, and had grown up in; the immediate area of the current location of the business and therefore the family felt a strong affinity to the local community and felt as if it was both a part of their heritage and part of their 'responsibility'. The farm and land had been owned in Western Australia by the Grouse family for over half a century, they saw the land as being a 'significant part of our family heritage', however, their displacement from the immediate activity of the business, being based in Scotland, consequentially meant that although they felt a strong identity with the land and had 'absolutely no intention' of selling the land, neither did they feel a 'sense of belonging' to the local community. They visited the business site twice a year for a few days at a time and therefore did not often participate in local events. Further, the family had very few 'friends' in the area and the majority of

the local community did not know who they were by sight. This was vastly different to James, and the Clifford family, whom the majority of the local community had heard of and whom the vast proportion of local residents would know by sight; James was a member of the Rotary Club as well as industry specific organisations, and Penny and James were on the Board of the local school and got involved in other fundraising projects for the community, such as the Harvest Fair. Further, the activities of their two daughters in agricultural clubs and other school activities meant that their presence in the local area was high. Examples of how the businesses varied with regards to their interaction with the community along a range of factors are represented in Table 6.1.

The table demonstrates the similarities in the communities under consideration; all companies were located in close proximity (within ten miles) of a town that had local activities and associations, not necessarily wine organisations. As Chapter 5 demonstrated, all the firms were also based in communities where agriculture was the dominant industry. This held important connotations for the attitudes that were observed in the local community. The families all had a long history of connection with the areas in which their business was located, although the Australian based company did not have owners that lived on site, the Grouse family had owned the land in the area for many generations. The opportunity for the families to participate in their local community was relatively similar between the UK and US cases and, although more limited, still remained possible for the Grouse family to forge links during their visits. What was found to vary was the attitude of the family towards that community. These various levels of participation impacted on the firms concerned in a variety of ways; in communities where participation levels were high, so too were notions of reciprocity. This led to exchanges based on moral motivations, whereas in those communities where participation levels were low, there was a sense of disengagement from their immediate area and relationships with local actors tended to represent a higher level of price-based exchanges. This finding was unsurprising due to the fact that it takes time and engagement to build trust and establish a relationship, however, the impact of such disengagement was of interest. It was also unexpected, as the literature had suggested, that businesses are perpetuated for the good of the community (Dunn 1996; Lank 1995/96; Mulholland 1997). The data suggest that community is important to these family firms, but only under the right circumstances, and is influenced by a number of mediators as described in Table 6.1.

Table 6.1 Mediators influencing the level of embeddedness of the family business in the community

	UK	America	Australia
Practical	The family live on site and open the site shop seven days a week. The husband and wife team are the primary workers and decision makers. They are based in the community, however time limitations mean that they choose not to get involved in community activities. They communicate with other wineries through on-line discussion boards.	The Clifford family are physically close to the business- living on one of the vineyard sites. They are heavily involved in the day to day running of the firm, and are the key decision makers. They have two children who are often present at the winery after school and during school holidays.	The Grouse Family are not based on site- they reside in the UK and visit only twice a year. The family have owned the land for generations but never lived on site. They chair the Boards and take key decisions but are not involved in the day to day running and so they are not present to get involved in local committees.
Social	Family are moderately visible in the community, participating in farmers markets and town fairs. Set up nativity scene to raise money for charity and 'remind the locals we are still here' (Mary).	Family are highly visible. High level of participation in winery and community events: "You will find that I do a lot for the local community around here" (James). Both James and Penny sit on winery and other community Boards.	Family are not visible or widely known in the community. Company participates in few winery events however "nobody in the community would care or even notice if we disappeared tomorrow" (Hugh).
Historical	Both families through marriage have been in the surrounding areas for over half a century, they have no intention of moving out of the area.	Both families have grown up in the area as have their predecessors. Both James and Penny attended the local high school.	The family have had land in Australia for over half a century however the current generation have never themselves resided in the country.
Emotional	The family are very attached to the location and land but not so much the local community which has a large amount of holiday residences. They do feel a sense of obligation to the local area: "we always try to help other people if we can" (Fred).	The family are highly attached to the local agricultural and non agricultural community with many strong social ties in the area. There is a high sense of obligation felt by James towards the community.	The family are attached to the location in the sense that they have family heritage and therefore would not sell the land however they do not have social ties in the community and feel no sense of obligation towards it.

The content of the exchanges also differed between the cases. James and Penny Clifford made considerable philanthropic donations to the local community; both in terms of monetary donations and lending use of facilities, help with fundraising activities and donating a considerable amount of time to local Boards and Committees. The contact of the exchanges was not simply monetary but included transfers of knowledge and time. The family themselves

did not view these exchanges and contributions as a drain on their family or financial resources, such activities were not participated in for a profit outcome, but to better the community in which they lived:

So that adds up to a lot of external commitments....

Yes sometimes it gets a little too much. But we built that (pointing to a picture of a building), it was a \$6 million structure at the school in honour of one of my mentors XXX. It was a big project, we have one more year to go and we have raised almost \$2.2 million for it, so it has been great. It's just a great group of people. (James)

This could be described as an act of reciprocal altruism, a concept developed by Eddleston et al (2008), where selfless acts are expected to be reciprocated some time further down the line (refer to Chapter 3). It is also consistent with the work of Lank (1995/96) who notes the high sense of responsibility felt towards the community from family businesses, translated into reality through philanthropy. James did note that he had to turn down some invitations to join local committees as it amounted to a considerable amount of time that was being consumed by these activities and it was simply not possible to fit in any more. He accepted invitations on the basis of when the requests were made; the most recent requests were largely turned down due to time constraints. However, some decisions were instrumental in the sense that if James was asked to join a winery committee he would try and make time if he foresaw the benefit of doing so:

And the harvest fair that you've always been involved in.....

Well actually Penny sat on the board for nine years and then she got off and I got elected to go on so that's an important one to keep your foot in the door...

Why is that?

Well because the judges and things that come to that thing or from all around the world and you meet a lot of really interesting people so that is a really good thing to be involved in.

Clearly, when it came to business and the winery community, decisions were based more on instrumental rationality than when decisions were taken about the local and agricultural community associations where decisions were more likely to be based on altruism. This example shared few similarities with the

attitude observed at Windybank for getting involved in the local community (non-winery). Both Al and Lou, from Windybank Wines, commented on how they 'never made much money' from community events and therefore 'didn't really bother' any more. There were a couple of events in which they did participate in the community each year but participation in these was based on calculative rationality; they now donated in the form of vouchers for the winery to be won and had a stall at the fare as opposed to simply donating money. The orientations to action of these two firms towards the local community were therefore extremely different with Clifford exhibiting substantive rationality as a basis of action, the opposite of Windybank Wines who were purely instrumental in their decisions over participation with both the winery and immediate communities where they would only get involved if they could see the direct benefits to the business of doing so. This could be down to a number of factors. Firstly, practicality of the market: Windybank's target market lay external to the local surroundings and therefore they did not desire to engage with the community. Secondly, family values; where the family were involved on-site with the business, at Clifford, family logics highly influenced the decision making process and contributed towards what Granovetter would describe as an 'axe of solidarity' with the local community. Moreover, where the family were not involved on-site, corporate values dominated orientation to action. This may be due to the fact that in Windybank Wines the resources were not diffused by the owning family. As Stavrou et al (2007) comment, family businesses can contribute to the community as they have total control over activities and resource allocation but when corporate managers are employed, such as in Windybank Wines, more instrumental criteria must be used in selecting resource allocation. Therefore, although substantive rationality was anticipated with the family business dealing with the community, it was not found in the instance where social interaction was limited and historically interaction had been low. Furthermore, even where there were some social ties with the local community, these were shown to be partly instrumental in the case of Windybank Wines.

Mary and Fred, at Abbey farm, struck a middle line; they described how they 'would always give something a go'. They said that a number of times the previous year they had attended unprofitable events and promised themselves that they would not go again the following year but they usually ended up doing it again as they felt obligated to do so if they were not making a loss. If the event was in the immediate vicinity, such as a fair in a pub garden, then they

would usually attend. However, if the event was further away then they would feel less obligated to go. A large factor here for Mary was cost, in a different sense than Windybanks, as she was not worried if she did not make too much money but she had to at least cover her costs. Therefore, if the pitch and licence were expensive then they would always think about it considerably before they signed up. They therefore still employed a form of instrumental rationality, based on financial implications; but there was still a binding feeling to pursue the substantive goal, of helping the community. Similarly, when Mary is talking about an impending WI tour that we have one day at the vineyard she describes how they very rarely buy anything after the tour. She describes how they still feel compelled to provide these tours even if they do not profit from it as it takes a considerable input of time for little return but both her and Fred think that in the end it is worth it because if they enjoy it then they will return when they have friends visiting or at least tell other local people about it. Clearly here the sense of moral obligation towards their local community is high, however, it is not purely for altruistic reasons that they continue to participate. This could be described as another example of reciprocal altruism (as put forward by Trivers 1971) where although the families do not expect immediate compensation for participating in these events, their interaction is not unconditional and the benefit will be realised at a later date. Again, these exchanges are instrumental but could be described as being an associative system that is governed by reciprocity and social ties.

Not all community ties were based on reciprocity in the form of sales for the Abbeys, other exchanges were conducted from a moral base, as was often the case for the Clifford family (as Table 6.2 demonstrates). A consequence of both these families being long standing members of the agricultural community was a shared belief in values over land and a shared identity with that land. The agricultural industry is a close-knit community and latterly, the industry participants have organised around a shared feeling of hardship, particularly in the UK. This was the dominant set of values and dominant discourse, around agriculture, for both the UK and American families. Despite discourses of agriculture being spoken about when referring to the history of the Australian firm, agricultural values did not appear to be the dominant force in this case and were rarely referred to in discussion over decisions that had been made. Both the UK and American families had strong ties with other agricultural families and often collaborative work would be undertaken. Fred, for example, spoke about

his next door neighbour with whom he had been getting on well; he had been keeping some of his sheep on his land and in turn had cut some of the neighbour's grass (and broken his own mower in the process). He just kind of sighed happily and explained how he would always try and help other people. He said that he asked his neighbour when he wanted to put up another hay barn and found a place in the field where only one person would be able to see it – before putting it up he asked the person if they had any objections: 'Not if it's agricultural' was the reply. Fred was satisfied with this but pointed out that he was conscious to check if anyone minded. 'There's no point in intentionally hurting people' he said 'in fact I go out of my way not to hurt people'. Although these exchanges were individual interactions they were particularly poignant as they provide an example of moral systems of exchange within the agricultural community where, even if relations were not always particularistic there were shared values around identity. Common discourses when discussing the agricultural industry included 'understanding each other' and 'uniting' in times of hardship. The dominance of family ownership combined with the very nature of the intricate overlapping of family and business that is found in farming, results in the dominance of family values.

The reluctance of Windybank Wines to participate in the local community demonstrates support for Carney's contention (2005) that the personality of the owner-manager must be considered as a critical factor in assessing the relationships held. Neither was there the impetus from the family themselves who desired to grow sales outside of the immediate area and therefore strong local links and local winery associations were not of primary importance to them. In order to find out whether or not it was the community that was unique to this part of Australia I visited another family winery in the immediate vicinity where the family still owned and ran the facility. Here Jan and Peter described how their community had changed and developed with the growth of their business:

Jan: At the vineyard in harvest it was all a big party. Friends and family would come up and stay with me and help me pick. Some did misbehave on the Saturday night though! But, see, in the beginning in this region that's why the vineyards worked together, because there wasn't a casual work force. All the early established vineyards, well I've picked at all of them and they've come here too. You'd put a huge spread on at lunch etc and everyone would work together.

Peter: Most at that time were small family concerns and a lot of the plantings were not corporate. It was really very good and very involved. I think there was more of a hands-on situation. And, being a new area everyone was feeling their way with regards to variety and suchlike, but it was all good fun.

Jan: It wasn't just that, we shared machinery with another vineyard that started at the same time as us. We split all the Jarra posts ourselves. We were just helping each other.

This reflection on the past, the 1990s period, echoes the comments made by Fred and Mary in the UK where currently they have friends and family to help pick their grapes during harvest and work with other local vineyards to make this happen. This suggests that as the local vineyards grew in Australia, the structure of social relations began with communal systems being the dominant form of exchange at local level (as we are currently seeing with UK winery interaction) but, due to an influx of corporate run firms into the area, relationships have, in general, become more distant, increasingly instrumental in orientation. This, of course, is an industry-level analysis of exchanges, it is not to say that those ties that built up social elements during the earlier years do not still exist on a firm-to-firm, family-to-family, basis. The ties did not move 'backwards' from particularistic to associative systems of exchange but the newer entries to the industry meant that overall the industry exchanges were now dominated by a universalistic orientation to action. It also suggests that Windybank Wines may not be 'typical' of the area. On this basis I asked Peter and Jan if they thought that being family owned made a difference in the local community:

Do you think it's true that when family are involved they feel more obliged to help the local community?

Jan: As I said we have had the pressure put on in the past to sponsor local events and you think that if you don't help them they are going to badmouth you.

Peter: But like you said, and we are concerned about the other amenities around us are provided, like Jan's in teaching. And if you're not always around your corporation and you get someone else to run it, then you don't always become involved in the community. It doesn't grow a balance it's just like they're here to take it out and move on. And that doesn't help anyone. It doesn't help the community to grow, the schools, the health service and all the infrastructure falls to pieces.

So what do you think about the term it's more community than competition? Is that only true to a point?

Jan: Of course it is.

Peter: It's like any other industry, the fittest of the fittest survive!

As Peter and Jan document, the Pemberton community has changed in its make-up of wineries over the past decade and some rivalry now exists between the 'locals' and the 'corporates' of which Windybank is considered to be one. This local family see the corporate entities as being a withdrawal from the local community welfare; they see them as operating purely based on price relationships, with interactions only being undertaken with the community through formal channels of communication. As Jack and Anderson (2002) commented, reciprocity provides the entrepreneur with knowledge and resources, but this can only be achieved when locals know the entrepreneur. This finding suggests that as the industry has grown in concentration in this area, economic rationality has become increasingly dominant as a form of exchange. Whereas Peter, Jan and the rest of the established members of the winery association view themselves as being a part of the community (both winery and economic) and contributing towards it through moral and communal systems, they see the 'corporates' making a conscious decision not to get involved in the local community. Hence, the data also suggest that instances of reciprocal knowledge transfer have not increased in conjunction with the numerical rise in wineries. These 'local wineries' are also unhappy that some of the newer 'corporate' firms are reluctant to participate in the local growers' associations to promote the area, as shall be further examined in section 6.5. These data exhibit similarities to the notion of the 'moral economy', introduced by Granovetter (1985) and developed more recently by Sayer (2008), where organisations are influenced in their structure by moral sentiments and norms, and are not simply by products of political and economic force. As Sayer (2008) also states, tensions often exist between normative, especially ethical considerations, and economic pressures; this is clearly exhibited in the decisions of the smaller wineries to get involved in communal activities.

It is not just the Australian community that feels a sense of divide within its wineries, further suggestions about industry level dynamics of exchange can be made from examining the case of the USA. In the US, Napa and Sonoma have an unwritten rivalry, each working together to promote their own communities but Sonoma promoting themselves as more 'friendly' and based on farming whereas Napa is often viewed as the more 'corporate' sibling. The perceived

rivalry is often discussed and few cross boundaries between the two geographically close areas. Deborah, advisor to family wineries is one of the few that work in both areas and describes this purported 'divide' between the two communities:

Do you think that there is a different feel in Sonoma, that it is more community-based in Sonoma and more corporate based in Napa? Or do you think that there are any differences at all?

Deborah: I think that that may be the perception but the reality is that there are a couple of corporate Wineries in Napa and a couple of corporate wineries in Sonoma. Sonoma is a larger region, they actually have more wineries in Sonoma but if you compare, if you had the wine at the top on both sides whether they are corporate or whether they are the pull brands not necessarily big in size but the tippidy tip of it, then everyone else underneath is very similar. They are family businesses, they are operating at more or less the same price ranges.....

There is a definite discrepancy between perception and reality of industry structure in this instance. Despite each 'side' promoting themselves and their respective images, they may be more closely related than they would admit. Napa is the more established community and has a slightly higher proportion of privately owned firms and, from the data found, it appears more likely that there will be fewer particularistic and more universalistic ties exhibited in their tie portfolios. Due to a number of factors including the often short term views of corporate managers who are employed on a contractual basis vis a vis owner-managers who have the ability to look further into the future and conduct their relationships in line with this vision. Furthermore, family businesses are known for their commitment to relationships, suggesting that particularistic exchanges will be high in these cases (Lyman 1991). This is, of course, not conclusive and would need further testing to see if this explanation holds. Deborah describes Sonoma firms as being more 'approachable', this could possibly be accounted for by a larger level of communal exchanges being present. The interactions observed between farmers were seen as largely communal relations and it could be suggested that this may apply to other interactions over the county, which has seen a growth in winegrowing largely as a result of agricultural diversification (in contrast to the more corporation dominated Napa). This, however, cannot be verified, only suggested, due to the single case nature of the study.

Despite there not being a complete 'commonality' of exchanges between all three cases, it was certainly clear that in those cases where the family were involved in the business on a daily basis and lived in their community, there were more varieties of community interaction. This included a higher level of altruistic and reciprocal altruistic behaviour with a stronger sense of obligation and responsibility towards the area in which they did business. This provides a further example of the existence of Sayer's (2008) 'moral economy' and suggesting that emotional factors act as a significant mediator of exchange relations when family interaction is high. As anticipated, communal systems of exchange were high in all the firms that formed a part of the study, including in Australia for the firm that was interviewed that remained under family management. However, as data from Deborah in the USA and Peter and Jan in Australia demonstrated, for those communities that had undergone corporate development in both Australia and America a higher level of exchanges based on instrumental rationality had been developing during their time in the industry in their respective areas:

That's interesting, because a lot of people have told me that Sonoma is more community focused....

Deborah: I love Sonoma Wineries because in general they do tend to be friendlier and more approachable in general than a lot of Napa wineries; there is an arrogance here that does exist. But if you look at the relationships when it comes to economic benefit, I think that's the shift around the Vineyard relationship has happened on both sides. I know that is generalising, but that's just what I've seen. I think it is definitely happening on both sides.

These systems still rested on the notion of collaboration, however, that working together to promote their local area would be mutually beneficial to the winery and tourism communities. Local associations aided this development and are discussed in sections 6.5 and 6.6.3. This adds to our knowledge of the form of particularistic relationships that are dominant in these firms; it was thought that associative based exchanges would be the dominant form of exchange but there were certainly more communal exchanges visible where family influence was high.

6.4 Family and Friendship Ties

'Strong ties here are not just about traditional family but extended family'
(Jason, Clifford Vineyards)

Out of the three cases studied, Clifford exhibited the largest portfolio of family and friendship ties linked to the business. Similar to the debate concerning community ties, Windybank Wines in Australia did not interact with the founding family on a regular basis and there were no extended family members within the business. In the UK, the company was still small and therefore family and friendship ties were often well utilised at busy times of the year, during harvest for example, although this was from a relatively 'small pool'. As Jason states, Clifford had both immediate family employed in the business (Penny's dad), and also other 'extended' family, such as Bill and Brad, who James went to school with and who were now employed in the business. As Dunn (1996) also found, family businesses are likely to feel a high sense of responsibility towards not only their own family but also families of employees (the focus of the following chapter). This represents a clear example of social relations extending into business resources; with dynamics shifting from particularistic relations based on substantive rationality to developing a higher emphasis and use of corporate logics over time. Here the 'preferential selection' was not only experienced on an employment basis but also extended to suppliers, as Jason describes; 'we probably wouldn't use Agas, if James hadn't known them for so long, if he hadn't been to school with the guy'. Charlie, also commented upon this:

It's the same around here, with James everything is friendship based. Most of the people that work here for any time, they're all friends or, people who James knows from [the local town]. There's no nice way to put it but its like high school never ended. A large part of our business is about how he is viewed in the local community, not about the wine. Wine is second and friendships first in a lot of ways

This example not only represented the multiplex nature of relationships that is found in family business exchanges (Anderson et al 2005; Human and Provan 1996) but also says quite a lot about the paternalistic nature of James. It represents an example of action not being economically rational but substantively rational; because James has a repertoire with the supplier from another social sphere he desires to support his friend in his business too. As predicted, social capital has influenced the move towards associative based exchange systems here. This relationship was characterised by high trust, not involving formal contracts but tacit agreements about exchange on a business and social level, a feature Davis (1983) believes to be the most significant factor in providing competitive advantage for the family firm. Nepotistic behaviour on

James and Penny's behalf was commonplace in the organisation; these employees and suppliers were not necessarily the most affective or efficient actors, however, they were wanted and trusted by the family and James saw this as paramount, particularly after his previous experiences with employment issues (see section 8.6.1). Whether or not nepotism is therefore negative is highly controversial; financial efficiency may not benefit, however, having someone in the organisation that the family can trust (in both interpersonal trust and trust in ability), may outweigh the disadvantages that are associated with a loss in financial efficiency. These examples from the field data highlight a number of issues that were raised in the literature review. Firstly, the way in which some suppliers were selected were due to social factors, turning into business resources or as Stewart (2003) describes them, multidimensional ties with moral investments. These evolved from communal into business resources as anticipated by (Carney 2005). Furthermore, these examples concur with the findings of other researchers that conclude family businesses are known for their integrity and commitment to relationships (Lyman 1991), suggesting that substantive rationality will be high. These pieces of research are supported by this study. There are, however, drawbacks associated with the increased 'sentiment' associated with these family and friendship ties such as they can become inhibiting for innovation (Fletcher 1998). There was evidence to suggest that other employees became frustrated with their inability to select their own suppliers. This applied to heads of departments in particular, especially when the supplier with whom the owners had a social relationship was not as efficient as another would have been. However, for the owners at least, the fulfilment of moral values meant that small financial inefficiencies were outweighed. The attitudes of the employees towards this are explored further in Chapter 7 that follows.

There were also many families working within the US business. Simon and Austin for example, were themselves brothers-in-law but also had at least five other family members working in the fields at any one time, including their father and uncle. This was not unusual to find in the area, as Jason, who used to work at one of the major wineries, describes: 'it's all about families in this business, it was exactly the same at (XXX); there were 50 permanent employees and they were all from these three families'. It was seen as preferable for these families to be recruited into these organisations. Once a family had been shown to be honest, hard workers then their relatives were often recruited when the firm was

looking to hire. This not only saved on recruitment costs but, because the new family member would be representing that family in the organisation, frequently ensured an efficient new team member. This also represented an example of particularistic relationships being used in the recruitment process, where historical context was highly influential. This method was unique to the American case due to the large contingent of Mexican migrant workers in the surrounding communities; in the Australian case casual labour was hard to come by in the geographically remote area and was not needed so much due to the preference to machine as opposed to hand harvest. This represented a departure from previous data findings. In her study of the US wine industry, Hickton (2004) found high levels of social capital, however, the data in this research did not consistently support this finding. In the US case it did but in Australia, due to preferences over manufacture of the product itself, social capital was not highly prevalent. In the UK the firm was not large enough to support an industry specific casual labour market and currently the Abbeys did not wish to enter the realms of employer status.

With such a strong affiliation to the local community at Clifford there were inevitable instances in which friendship and close ties had become problematic. The most notable instance of this was with the issue of discounts given. As Charlie, assistant tasting room manager notes:

There used to be a 'friends and family price'; they got rid of that but everyone always asks for it anyway. Now it's all made up as we go along, some get 30% some get 40% etc. One guy I sold to I gave 30% discount and when he got home he called James and asked why he didn't get 50%. Then when the 'Friends and Family scheme' got stopped they were all invited to join the 'founders club'. Some of these people didn't join but still always ask for the discount. Some were people from XXXX [club of male friends] and people also ask for Rotary discounts.

Evidently this issue had become confused as the business had started very small with no formal tasting room but with friends purchasing wine directly from the production end. The family were grateful for support from their friends in the local community when they first started producing wine. With growth, and their own sales room, the family were attempting to introduce some structure into the discount system, however, due to the fact that James is still in primary control of the business there still exists an element of informality in their systems. This is another example of the clash that has arisen between instrumental and

substantive rationalities for Clifford during the shifting dynamics of exchange.

The following quote from James exhibits this quite clearly:

Sometimes [having your own family business] puts a lot of taxing on the key management people. For example, I still have people who come in to buy a bottle of wine downstairs and they come up to see me. Which is fine to a point. But that's why we're trying to build our next structure because of my office, its going to be over there. Claire and I are moving out of here and so these offices here will become accessible for more Winery employees and I will be in another area, because I get interrupted all day long, you know, which now is okay, but as time goes on I don't want to get interrupted all day long.

So, my goal is to get myself separated a little bit from this because what happens is as a family business you have all these relationships with all these people that are coming to buy your wine, and what happens is that all good at first, but then, you know, people still want to do discounts, they want to do this, they want to talk to the owner and if I were to do that or we would go broke! I mean we wouldn't go broke but it would take all my time and if I am an accessible than it a better excuse than being accessible and not wanting to see them!

And in the wine business everybody wants a Goddamned discount. I'm being serious, one of the hardest things I had to do is, because when we were first doing wine and before we got the tasting room open people would come here and buy wine because we were doing the wholesale from here, and they would want 50% off. And we opened up the tasting room and all of the Rotarians had 50% off..... and then James Smith a good friend of mine came in and said he needed five cases and I told him 'I can't give you the 50% off anymore, you have to do the wine club, or get 30%, that's the best I can do'.

Well 30% is still a lot.....

I understand it's just such a different mentality. That's why I know some of these other people, friends I know who are in their 60s now that they, ...you take yourself away so you make yourself inaccessible. I mean you are accessible but at the same time you are inaccessible. So if my office is a quarter of a mile down there, if they are here for that. And then, you know, that is what I am trying to say when you are in the wine business you have to be nice to everyone. You just do, which is fine, but you have to be smart also and that is my aim to take my office from here and move it down there because otherwise it would be like, people come to you and ask to give discount, discount, discount and then you say no on the third time and they get mad. They do! But hey, they can't ask you if you are not around, the tasting room manager says 'well James's not here and this is what it is' and it's just business. It's just business. I would never dream, in my wildest days of going into somebody's business and asking for discounts like people ask

me for discounts. I swear to God, I would never dream of that, it just blows me away how that happens.

This quote represents a shift in thinking on behalf of James; social relationships based on communal systems exchange were having to alter due to economic necessity. James acknowledged here that it was important to retain a level of instrumentality within his business; an unintended consequence of his contributions to the community had been a higher level of expectation in the form of financial rewards. The difference was that James felt his contributions to the community were on his terms, not theirs. It was often time and knowledge that was the content of exchange with the community and not a monetary donation. Although family values were highly important to him he was still instrumental in the sense that he had to maintain a profitable business or he would not be able to make future donations to the community. These relationships were based on the notion of reciprocal altruism on behalf of the 'friends', who believed that if they patronised the business in the early stages that they would benefit through consistent discounts as the business grew. This opinion was reflected by the assistant tasting room manager who had been with the firm since the tasting room opened. It was also echoed by members of the rotary club with whom I interacted, they were keen to document how they had supported the business in its early years. Now, with James aiming to cut back these discounts these individuals feel as if they have been behaving altruistically by purchasing wine but James has withdrawn aid. In fact, a lot of these visitors are non-reciprocators; only a few provided consistent support throughout the growth years and many were local opportunists who described themselves as friends of the family in order to gain a discount. James is therefore placing a mechanism, in this instance physical, in order to prevent confrontation with these actors and hence to prevent any further 'cheating'. It also demonstrates how the tie portfolio has developed in line with growth of the business, James is trying to distance himself from certain actors, however, these actors may still describe the relationship as 'close'. Orientations have therefore changed with regards to different exchange contents and purposes, reflecting the asymmetrical nature of these relationships. James is now becoming more instrumental when the content of the exchange is money but where the exchange is knowledge based he is retaining his substantive orientation to action even where the levels of corporate logics influencing the relationship increases.

These experiences were not repeated at either Windybank or Abbey Farm. Due to the non-visibility of the family at Windybank Wines both the community and the staff that worked within it commonly viewed it as a 'commercial entity'. This suggests that instrumental economic rationality is stronger when it is not distorted by the moral considerations that are brought about by high levels of family involvement. The rhetoric within the organisation was much more focused on discourses of the 'consumer' and 'the brand' as opposed to notions of the 'family business'. It was due to this corporate identity at Windybank that nobody 'knew the owner' and therefore people would not know whom to approach for a discount. There was however, a problem with 'staff sales' that they had been experiencing. Whilst I was on site we were told that there were to be 'no staff sales at the weekend' any more. It appeared as if staff had been coming in at the weekend, with friends and getting discounts for them. Al communicated to the rest of the staff that this would no longer be possible. The formality was, therefore, much higher in the Australian case; there were 'systems' of discounts and these were not to be applied on a discretionary basis. This notion of 'distance' was also increased due to the fact that Windybank were not primarily aiming to sell to the local market as at Clifford, but were in fact aiming to increase their sales further a field, into Asia especially. As Steve stated, it is not the local market that he is interested in selling to and therefore close ties based on communal or particularistic exchanges with local persons were not as important to establish. He desired simple, price based exchanges with agents in the external export markets. This introduces the possibility that interactions between the family and the market can generate and be influenced by quite marked differences in the strategy and identity of the respective company.

At Abbey Farm, due to the wine largely being considered a 'novelty' product at present, the number of repeat customers was relatively low and their closest friends in the local area also had their own winery and therefore had no need for discounts. Due to this family not being so prominent amongst local community activities discounts or friends asking for favours was not so much of an issue for Mary and Fred. This is not to say, however, that friendship ties were not significant for the business. Fred recalls an instance of when an old friend of the family, a mechanic who had serviced their cars for years and even dated their daughter, had purchased a tractor from him:

At coffee Fred relayed a story about how a few years ago he had a really old Dexter tractor, [he told a long story about how he stuck it together with bailer-twine and special semi-welding glue and made it last for a few more years] and one day Bill made an offer for it. He said that he offered him 'a couple hundred quid' and that he said 'yeah alright'. Anyway, he must have told his brother about this as a week or so later his brother returned from a farm sale and saw a comparable tractor make over seven hundred pounds. Fred let out a kind of sigh but laughed it off; he said that he didn't worry about it too much as Bill always helped them out and had probably saved them more than that in mechanic bills over the years.

(Field Diary: Tuesday Week 2)

This example demonstrates how, despite losing money in the initial exchange, Fred was not concerned as the relationship was mutually beneficial. It was a particularistic relationship, paternalistic in nature, governed by both social ties and notions of reciprocity and high interpersonal trust so there was no need for concern; this relationship would continue into the future and at some point Fred would be the beneficiary of an exchange between these two partners.

Again, the level of involvement of the family affected the balance of family and friendship ties. All businesses exhibited nepotistic behaviour even in Australia where, as shall be seen in Chapter 7, the Board were comprised of friends, resulting in substantial negative consequences for the business. As stated, however, nepotism has often been adopted for issues of trust and therefore the families themselves do not regard these decisions as being negative for the business. This represented another example of social ties developing higher levels of instrumental rationality. The emphasis was very much on interpersonal trust as the owners were far away from the business site they felt that they needed people they could really trust to take care of their interests. It further confirmed the use of their personal network as an entrepreneur's 'most significant resource' (Schneider and Schneider 1976).

6.5 Relationships with Legislative and Industry Bodies

Local Bodies

Local associations were important for all three case companies. Some were involved in more associations than others, however, and varying levels of support for community associations were shown. The literature anticipated that

growers' associations would involve a high level of associative relations (Brown and Butler 1995). The data found that all the companies had one organisation in particular with whom they interacted on a regular basis, with some having a higher level of instrumental rationality as a base than others. The firms then had other organisations with whom they interacted but, again, these varied on their motivations for, and benefits received from, participation. These findings are, therefore, not consistent with the findings of Fuller and Lewis (2002) who found one dominant strategy to the orientation of relationships. The data pertaining to these findings are now elaborated upon.

Due to the small size of the UK wine producing industry there were limited opportunities when it came to joining Associative bodies. The primary national organisation, the UKVA, was an umbrella organisation for the regional associations. Wales did not have an independent regional association but was covered by the SWVA, the South West Vineyards Association, of which Fred and Mary were members. Despite not being obligatory they had joined in the first year that they produced wine and had found it to be mutually beneficial. There were bi-annual meetings as well as yearly competitions which gave them a chance to chat with other producers in their area. They described the atmosphere at these events as friendly despite a few actors dominating the group. The meetings were held at different members' vineyards each time and they had hosted a meeting the year previously. These meetings were a chance to discuss new ideas and issues that they had encountered as well as discussing methods to promote their area, including what activities they would do for English Wine Week. Due to the fact that the vineyards were dispersed over a large area it was not possible to meet with more frequency than this and so an email 'thread' was set up where members posted questions that they had regarding a pruning method or suchlike and then other members posted replies. This had proven hugely popular and was frequently used by many members, including Mary. This relationship was again, particularistic in nature, with each actor being selected upon particularistic criteria, based around both a shared identity and mutual gain. The content of these exchanges were largely based on the giving and receiving of knowledge, consistent with our expected features of associative based relationships. It was possible that some time in the future Wales would have its own Association, however, Mary was currently pleased with the advice that she got from her own association. This interaction represented a clear example of what Anderson et al (2005) termed a 'virtual

organisation', where physical proximity is rejected in favour of relationships based on mutual benefit and a sense of belonging. The only other exchanges that Fred and Mary had were with their neighbouring vineyard, with an exchange of knowledge and labour. The time taken up running the vineyard meant that there was limited time and motivation to join any other committees.

The local association in Australia, the Pemberton Wine Association, followed a similar route to the SWVA in the UK. Jan Smith, owns a vineyard in the local area, reported it was established in the 1980's and Jan was one of the first members of the Pemberton Wine association:

And with the wine association, how has that grown? How many people were there and how many people are there now?

Jan: There would have been only a handful to start with – about 6. Then there was a rush and a lot of planting in the early 1990's and now we have a lot of additional growers here too, contractors. We used to meet to have a meal at someone's place, have a drink to make it a social night.

You said that the Local association had changed in price?

Jan: Well the fees are not a lot but now we pay a secretary. We used to have meetings for everybody but then only the Executive went. Peter is on the Executive. We sometimes have workshops but it is mainly the Executive and we just get emails.

Peter: Now the executive have a business plan and now we can apply for grants. They want to spend about 10-15K putting on a display at the wine centre and the hotel about local wine. That's good.

Just as in the UK at present, the Pemberton Wine Association started off as an informal group who met simply to exchange ideas, a communal basis of exchange initially with the common goal of problem solving and information sharing. With a basic substantive value of survival, that has now grown into an associative relationship with the growth in members and the widening of their scope to promote the local area as opposed to simply collaborating with work and ideas. The change represented a shift from an informal group to having a more focused strategy, to use the association as a marketing mechanism not simply as an avenue for moral support, although this remained an important content of the exchange. The rationality behind this collective action was now instrumental with firms working together to create a market presence (White

1988). This is further depicted in section 6.6.3. Here, it shows what Larson (1992) suggested, that social contexts can provide the environments in which economic action is situated. Jan describes how the smaller growers feel neglected by the larger State body of the WIWA, the Wine Institute of Western Australia. They feel as if they are not working towards the benefits of the smaller firms but are instead focusing on the large corporations. Managers at Windybank Wines, describe themselves as a 'brand', consistently using discourses of brand identity, and therefore have consciously decided 'not to bother' with the local Pemberton Wine Association (Steve). Instead, as Al describes, they have decided to focus on building their own client base and concentrate their efforts there. They see themselves as a 'grade above the rest' and therefore do not need to associate themselves with the local association. The companies that saw themselves as 'corporate' therefore were not keen on participating in these associations. There have also been difficulties with the Association in the past, Hannah recalls that when they were members of the association when journalists were visiting the area they would 'put their hand up' for a visit and get ignored. This demonstrates that although benefits may be reaped for the strong tie partners of these relationships, for 'outsiders' these strong ties and communal systems can exhibit clear drawbacks.

Windybank Wines acknowledged that they were not a part of this communal exchange system so they then turned to WIWA, the state-wide association who put them in touch with a lot more visiting journalists. Jan also acknowledged the difficulties with the Pemberton Association when it first became established, describing the secretary as using it to their own advantage and to promote the same handful of wine growers every time: 'there were four people 'in the know', the rest of us were ignored'. But, despite the situation changing now, Windybank Wines are not interested in being associated with promoting the local area. Tourist trade is not their priority, as Steve has stated, and therefore the bigger state association that could help with exports is their focus. As he comments, 'yes, it is important to look after your own back yard but it's equally important to look at the bigger picture'. This instrumental rationality that Steve employed reflects the notion that smaller businesses must look more to external contracts for business enhancing ties. These data would concur with the research findings of Davis et al (2006) who found that voluntary associations are a common arena in which these business enhancing ties are established.

The relationship that Windybank Wines has with the WIWA is a mutually beneficial one, albeit with differing orientations to action. For the winery, they desired to increase the levels of reviews that they were obtaining and directly relate this to export and sales. It also reflects well upon the Association if export levels increase. There is, however, another benefit for Windybank Wines; the person in charge of arranging overseas journalist visits to West Australia wineries comes from the local town in which the winery is based. This time it is Windybank that are treated preferentially in this regard:

We have a good relationship with the western winegrowers lady and so we are treated favourably when it comes to things like this, just so happens that she is a [local town] girl...

Oh, right, so that's how its done!
I'm telling ya, it's not what you know it's who you know in this game. (Hugh)

Of course, despite being asked, Al, sales manager, would not admit that this relationship had anything to do with the primary organiser being from their town, instead describing himself as having a good rapport with the organisation and being proactive to get visitors on-site. He would describe himself as 'bending over backwards' to help the Association but sees the visits as being 'part of the package' that they pay for in their annual fees, and not because the organiser is local to the firm. Clearly the motivation from Windybank may be price based but for the WIWA representative a shared identity with the local area influences her bias in favour of the firm, from a communal base. The level of strategising and formality associated with these visits was high, instrumental rationality was clearly employed; the winemaker and sales manager had developed a 'set format' for dealing with journalists. This strategy went so far as when a more influential journalist was visiting the CEO would be on site whereas when the writer was seen as less influential the sales manager would handle the visit; highly instrumental in this respect. Other vigneron such as Peter and Jan were not opposed to these visits either, they worked more on a collaborative basis, although they saw Windybank's action as instrumental they also recognised that they may all benefit if they received a good review in the form of an increased reputation for the area. This emphasised the relative scale of the power imbalance between the two companies; Steve had previous corporate experience and was very instrumental due to the scale of his growth ambitions for the company. Windybank Wines were also relatively larger than Peter and

Jan's Smith Vineyard and, unlike Peter and Jan, desired to grow further. This reflects Johannisson's (1987b) notion of 'cosmopolitan' and 'local' owner-managers, where 'cosmopolitans' favour global links, using the corporate context as a means of reaching their own goals. The Windybank Wines owner-managers have employed this cosmopolitan approach, selecting a corporate manager who will implement their global strategy and achieve their growth ambitions.

The situation with local associations was different at Clifford Vineyards. There were many associations from which to select membership, ranging from widely agricultural to specifically regional, based on appellation, all of which were aimed at collaboratively promoting the local area. James had both opportunity and motive to join these associations however he entered into different associations with a differing orientation to action. The primary industry association that he was involved in was the Sonoma County Grape Growers Commission (SCGGA), of which he was the Chairman of the Marketing Committee as well as being on the Grape Commission Board. This Commission aimed to promote Sonoma County with a recent vote meaning that a 1.5% of profit of all grapes sold went towards the Commission. Of this amount over 65% of revenue is spent on marketing the County's grapes in an attempt to increase both sales and value. Other parts of the \$1.2 million a year revenue go towards research and development as well as disseminating information through the grower outreach committee. This association is mutually beneficial to all involved, however, it is because of his sense of obligation and willingness for the county to succeed that James sits on the Board. This again reflects Johannisson's (1987b) idea of a 'local' owner-manager, where owner managers are a part of the local context and share many values and beliefs with that local context.

As stated, the Cliffords were involved in boards and committees within and outside of winery activities. They were shown to take up these memberships for a variety of reasons; James's identity as a farmer and grower meant that he preferred to join an association promoting the growing ability of the area as opposed to promoting wine as a finished product. This is because growing is an area that his expertise are higher (coming from a produce background) and that he feels passionate towards. There were still gains to be made, however, from him participating in his appellation association, the Russian River Wine Group,

which encompasses both growers and wineries. He helps out with their annual fair and has been asked to run for the Board but he has turned down that request due to too many other commitments. I asked him whether or not he thought that these associations were a substantial benefit to him:

And it's pretty beneficial to be involved with these groups?

Hugely. The Russian River group is huge. It's probably has the largest impact on the price of grapes if you are a Russian River Valley wine grower. It is huge. Chardonnay grapes that used to sell for \$1700 a tonne being in the Russian River appellation you get \$2000 a tonne. It's huge.

And what? Its impact is huge or its volume is huge?

Well the impact is huge, because it's a huge monetary benefit of all the growers. And it's probably, the last study they did, there is Napa, and its either; Napa, Burgundy, Sonoma or; Napa, Sonoma, Burgundy, Tuscany and a few other things and Russian River are in the top 10, in the world of being known. So its way, way up there.

Both of James's custom crush clients and other growers all speak extremely highly of the Russian River Wine Group (RRV), it has been mutually beneficial to all in terms of price rises and has a high level of social ties. Collaboration within this network is also common. As Uzzi (1996) identified in his study of embedded ties, problem solving and information transfer are key in these relationships. The logo for the RRV is widely recognised and at some wineries, including Clifford, the sign with the RRV logo is much bigger and prominent than the sign for the winery itself. This questions whether the companies identify more with their area than they do with their individual brand. The communal brand identity is far more significant here than in either of the other areas studied. This finding sheds light on some queries that were raised initially by Brown and Butler (1995) who, despite not gathering conclusive data regarding collaboration, alluded to the fact that growers associations would enable increased market presence with customers through cooperative advertising and common signage. This was found to be true in both the cases of Abbey Farm and Clifford but, as elaborated upon in the above, was not true at Windybank Wines where they interacted infrequently with local associations on an economic basis. This was not shown to be true for other wineries in the area in Australia, many of whom held a strong affiliation with their local association through personal relationships, with the motivation to promote the area as a whole. There has been some disagreement within the literature as to whether or not membership to such voluntary associations enhance network diversity of owner-managers; whilst

Davis et al (2006) argue such membership increases diversity, others argue it is restrictive due to the homogenous nature of interactions (McPherson and Rotolo 1996). These data would suggest, similar to the findings of Brown and Butler (1995), that the owner-managers do look to like-minded people for information exchange but that these exchanges had a significant influence on the strategic information received into the organisation, regardless of whether or not diversity is increased. This finding sheds light on research question one by demonstrating that when the owner-manager is active in the running of the firm, voluntary association membership will have a significant influence on the information that is received into the firm. Where the families were more involved in the day to day running of the firm, their membership to local associations was greater and there was more tension visible between substantive and instrumental rationality, as the data presented above illustrated.

These data help to shed light on research question three; exploring the effect of local context on the exchanges visible in the firm, in this case through local industry bodies. Clifford's relationships were multiple and close whereas in the UK and Australia membership was both less common and participation less frequent (although in the UK this was as much to do with limited opportunity as it was with limited motivation). Windybank Wines showed themselves to be highly instrumental in selecting which Association to be involved with, selecting on a basis of the largest potential gain for the firm and benefiting from a communally motivated tie on behalf of the benefactor in their association. This example highlights a significant omission in the SoE framework; the actors in this relationship were clearly employing differing rationalities when entering the exchange, they are not orientated to the exchange on the same basis and the typology needs to be elaborated upon to reflect this possibility of an asymmetrical relation. Due to the fact that they did not feel obligated towards the local community neither did any staff at Windybank Wines feel obligated to participate in the local association and promote their surrounding area, instead focusing on building their own brand. In the American case, the impetus was shown to be both collaborative and altruistic in some cases, to benefit the local community, exhibiting clear tension between instrumental and substantive rationalities. In this instance there was a significantly larger portfolio of ties and a larger proportion of moral and communal systems of exchange based on substantive rationality. As described, the sources of motivation for these substantively rational exchanges were based on both visibility of the founding

family and their emotional ties towards both the winery and non-winery community. The motivation of each of the key figureheads in the respective organisations also varied, for the Clifford family and the Abbeys their motivation towards these associations was to create success not only for their own business and their family but also to promote shared success and, in the case of the Clifford family, realise broader social ambitions within the community. At Windybank Wines, the motivation was to create wealth for the family but primarily for each individual who was on site, all being employed on corporate contracts, focused on short-term gains. Concurring strongly with the work of Johannisson (1987b), owner-managers, such as in the Clifford case, were found to have many contextual linkages, with the local context constituting both a means and an ends, whereas in cases where corporate managers were present, such as at Windybank Wines, these managers were shown to use the corporate context as a means of reaching personal goals.

National Bodies

As anticipated, relationships with national bodies were both formal and few and far between. The main bodies that the firms were involved with were the relative inspection bodies in their countries. There was a high level of formality with the inspection bureau in America with a very distant relationship, a simple price based exchange. In the UK, due to the industry being much smaller, the national inspector would come around more frequently, usually bi-annually, than in other countries but he would try and help the Abbeys to keep up with the latest rules and regulations. This was a price based exchange, however, it was less formal than in the US as if Mary had any difficulty in understanding a new piece of legislation then she would simply ring the inspector for an explanation. The situation was slightly different for Windybank Wines who were aiming to enter increasingly external markets. Their wine had to be approved yearly by the Grape Commission in order to gain certification for exporting and so there were regular contacts at the Commission. Despite this being a formal relationship with a large organisation, Steve was always aiming to 'network' with people from these bodies at industry events in order to get his name known, an activity which he had so far proven relatively successful at after working for a number of other large wineries in the area. Again, the orientation to action on behalf of both parties in this exchange was price orientated, instrumental on Steve's behalf to gain increased brand recognition in the industry.

The impetus of all the firms studied towards national organisations was based on instrumental rationality where, under universalistic conditions, each actor expects other parties to act in accordance with self-interest. Any marketing relationships were formal and therefore no sense of obligation was felt to continue these exchanges. In Australia Steve had just taken the decision to cut back on a lot of domestic advertising, he has become more selective in the places he markets and has spent the money that he has saved on domestic marketing in the export markets. Marketing at Clifford is not considered of primary importance, James's market is very local and therefore marketing at a national level would not be viable. This rationale would be well-founded if we are to accept the findings of Brown and Butler (1995) who found a negative correlation between PR in small wineries and growth suggesting, like James's impetus, that spending time and money on marketing would not pay off. As the external market has grown for Windybank Wines they have gradually begun to increase the strength and frequency of their international networks. Similarly, with change in CEO and a 'tightening of the purse strings' priorities for the company had changed:

Well my priority is to get involved with Tourism South West. And this is just me, I don't know what Steve is doing. When we used to have a full-time marketing manager then we would do more with the Pemberton Wine Association. She threw lots of money into just crap. So I do not spend as much time focusing on the local tourism network as it doesn't sell wine so much. I would rather phone prospective clients individually. Or we are not here to 'wow' anyone, let the wine do the wowing. We do not need to big glossy advert to do that. (AI, Windybank Wines)

This 'new' method appears to have been 'indoctrinated' into AI by Steve the new CEO who he looks up to and admires. It demonstrates that Windybank are no longer concerned with local but national networks, orientating from a simplistic market based exchange. For those local networks in which they remain involved at arms-length, these exchanges are purely instrumental, for their own gain of increasing sales and not as a result of feelings for collaboration. National associations for the other two firms were impersonal economic exchanges, both now and for the foreseeable future, as neither company aimed to grow their business across borders at present. The basis of action was therefore both instrumental and their structure universalistic in nature and this basis for exchange was not anticipated to alter.

6.6 Supply Chain Relationships

6.6.1 Relationships with Grape Buyers

Relationships and contracts with grape buyers were critical for both Clifford and Windybank Wines. Both sold a large portion of their grapes to external buyers, in the case of Clifford 90% of grapes grown by the company were sold as whole fruit. Consequently these relationships not only had to be managed by the firms but they were also affected by the economic situation of the market and the prices that they could demand for their grapes. The situation of the grape market was similar in both the USA and Australia. In Australia, the dynamic of the relationship with these buyers had been shifting not only due to a change in management at the company but also due to the drought in the Eastern States, grapes were now a hot commodity, they had gone from a period of over-supply to a circumstance where it was very much a sellers market (see Chapter 5). In California for some varieties of grapes in California it was very much a growers' market as varieties such as Pinot Noir were in very high demand. Contractual relations had also experienced a shift, before 9/11 contracts tended to be very long term, for up to ten years, however the mass decline in the market post 9/11 resulted in a collapse of long term contracts many of which have not been re-introduced, instead tending to work on two to three year contracts. Deborah commented on the shifting dynamics of the grower-buyer relationship in California:

So there has been a shift from the longer term to the shorter term?

Yes most of our clients have shifted. Now they are starting to rethink as we are starting to move back into levels of high demand. I am finding more and more families are trying to be a little more than nimble around their relationships with growers.

And do you think that they will continue to cut back and create more of these arms-length relationships?

I think it is a cyclical thing. I think it is a lot of different dynamics, part of it is cyclical, farmers respond to what is happening, to what the neighbour is doing. That will always be the case in this industry, they are family-owned businesses you do not have a lot of data. The data is extrapolated so how do we look at an industry as a whole? What is going on in the industry: 'So the neighbour got rid of some grapes or cut off some growing relationships I think I need to do that to. The neighbour is planting Cab, I need to plant Cab too', that's how we ended up with a glut of Cab.

So there is that it going on and as a result you will see cycles where things change. I think a number of people, not all, in both regions have cutback in terms of growth - especially since they hit a couple of harvests - that another factor harvests come in unpredictably, '05 was a huge harvest, the biggest harvest in 50 years - and on top of that we had oversupply and so a lot of people responded by putting prices up and trying not to grow the following vintages and more acreage was taken out in Central Valley than all of Napa combined and so that factor is going to cause this next phase of scarcity which is going to hit in the next 12-14 months, to take a real hit. And prices will come up, if the market will let it, but now you have the global factor, globalisation is changing things.

So the relationships shift as the market shifts and so those that are becoming more like Will and his firm, as they choose more of the Vineyard designated approach the relationship with the Vineyard owners changes, there is more give-and-take.

But then if they don't want a variety one year they can just cut them out.....

That depends, if they are branded around that Vineyard then they are more tied in because they have developed a business around that area. So, it is fascinating to me, a number of the family have this dilemma where they have worked with the period of years 'our Dads went to school together, we have to stay with them', and so even though the relationships may be weaker today because it is not a Dad and Dad it is still strong because they have family history together. These are families that live off credit cards longer than any other industry I know!

Will, from GD, seems to reiterate Deborah's last point, that not all of his relationships may be based on economic exchanges; he is tied into them through personal and social ties. This illustrates what Jack and Anderson (2002) describe the overtaking of social aspects of exchange from economic imperatives as a situation of 'over-embeddedness'. Despite not using this exact terminology, Will clearly understood the drawbacks associated with such dilemmas. He described an example of this when discussing a recent difficulty when he was dissatisfied from the service that he was receiving from someone that he purchased grapes from:

It's difficult, they're personal friends. It's hard, you know, he's a mess right now but he's a personal friend and I'll do anything I can to help him, but I can't let it affect my business so it's really difficult. I feel for the guy, I really do, but at the end of the day, as much as I love him I can't let it come in the way of business, you know?

This clearly demonstrates that despite having an element of priced based exchange, in many circumstances for the families it is more than a simple price based exchange, social ties govern the relationship, a particularistic relationship in many instances evoking feelings of high emotion when the exchange is not working as it should. These relationships have always been characterised as high trust, dynamic ties but they have come under threat from external pressures in the industry, forcing moves towards instrumentally based exchanges. As Deborah noted, ties are frequently very long term, they may not be as close as they once were, however, there are notions of both habitualisation and being tied to the relationship because it has been governed by social interaction thus giving into normative pressures of the organisation. As also highlighted there is a certain notion in the industry of copying your neighbours, a high level of institutional isomorphism, guiding the market and this too has highly affected the move towards short term contracts in the past. These examples add to our understanding of the dynamics of ties. Despite institutional pressures to force the contrary, these interactions with partners have developed from transactional relationships into ongoing relationships via personal interactions such as problem solving and knowledge exchange, shifting the dynamics of ties towards associative based exchanges. However, this was not sure-fire in all cases but depended highly on the actions and motivations of the owner-manager; when the corporate manager was employed at Windybank Wines, his vision was based more on short-term gains, therefore establishing a forum for problem solving and contacts for the long term were not of importance. In the market conditions that Steve had entered the company, a sellers' market, there was no need to put effort into buyer relations as he could sell all his goods on a simple economic transaction. These factors demonstrate just how important it is for the SoE typology to reflect the context of the family firms and, further, to consider the orientating influences on exchange relationships such as practicability as well as social, historical and emotional influences.

An example of the importance of emotional influences is shown at Clifford where, although James had also seen a shift in contracts becoming short term, he has retained certain preferred partners and maintained close relationships with a large number of these buyers. These influences were not just emotional or substantive based, but practical and instrumentally based too; his grapes were in high demand so he had the ability to select people that he preferred to do business with:

The other thing that I found interesting was the strong relationships that you have with people that you sell grapes to. Is that because you have known them for a long time?

While some of them I have known for quite a long time, but not a long, long time. And again I have always found it beneficial to try to get to know somebody you are doing business with and one of the things that I like to do is that you always return phone calls, you always deliver on time and to all those things, so they know they can depend on us. So we have a great relationship with them and it's the wine business so, you know, you have the occasional party or lunch and it also comes down to just respecting people and being nice to them, I mean that's how you can create friends and that kind of thing. So that's my philosophy on how to run the business and how to treat people and so I tend to befriend people really fast, that's just who I am. That's who my daughter is too, it's the same thing.

Is there a dominant party in those grower/buyer relationships? Does someone have the upper hand?

Well, right now being a grower of Pinot Noir and Chardonnay you definitely call the shots. Absolutely. But, also, you never want to be too arrogant because that's crazy because you are going to lose those relationships. In part, the buyers before, when times were tough, the buyers were definitely calling the shots. So, it just depends it is a case-by-case, Winery-by-Winery, business.

And how long do those contracts last?

Three years. They're usually three years now and then they end after three.

And use to be longer?

Oh yes. Before 9/11 (2001), the contracts are used to last between five and 10 years and then when 9/11 hit the grape business stopped. The wine business stopped. There were wineries that were shipping 100,000 cases a month that I didn't ship a single case because of that. So the whole monetary thing has changed.

So that single instance changed the whole dynamic of the industry, the winery grower relationship?

It didn't change the whole dynamic except planting contracts and long-term contracts are non-existent now as far as I know. Wineries right now only give one or two or three-year contracts, that's about it.

So you wouldn't like a longer contract?

Well, that depends on how it was structured. For example, we are selling Pinot Noir right now to some people for \$ 3500 a tonne; most of our Pinot Noir sells for \$2500 a tonne – big difference right? 500 tonnes, that half \$1 million. So, we have one contract that's going to end after next year, huge, huge contract. 500 tonnes of Pinot Noir so we're looking forward for it to end but if it was a longer-term contract we would want to

have protections in there that would help us out. And it's the same thing with the wineries. They want to have protection.

And so will you deal with the same winery again?
Oh, absolutely.

In general the wineries are queuing up to get your grapes?
Yes. We have a waiting list of ten Wineries. Big wineries.

And how do you decide who gets on that list is it on a first come first served basis or....?

Well, it would be people that we know that we want to do business with and if we could squeeze them out for them we would. If it's a champagne person we are more apt to want to do business with them. We can get the grapes off early, you can crop heavier and, you know, if it's champagne you can get ten tons per acre.

So has there ever been an example of you having a bad relationship with grower and Winery, where you would not want to do business with them again?

Oh sure! We have one this year that we will never do business with again because it was such a small amount of grapes they bought and it was such a lot of effort to get them picked, they were the last ones to get picked and all that...

But is there also the opposite, there are people that if you weren't so fond of the many may not do business with them?

Right. But, if I didn't like them then their prices were good and everything else was good then.....! You know I tend to, I have been through so much adversity in my life that if I have a disagreement or something with somebody, I mean I give everybody a second chance. You know, so it's..... but you know, if they mess up the second time that's pretty much it. But still, I think you should go through life, and I could tell my kids this, that maybe a person who is not your friends now in five years may be your best friend so don't ever think that, don't ever hold grudges, that's not acceptable. In business or anything else. So you don't know, people move around so much in this wine business that you don't know where there are going to be people you know. I've always been taught, you never burn your bridges.

This comment from James is about adversity, it demonstrates that his past experiences have informed his outlook on his present day business dealings. It says a lot about why his orientation to action may be so overwhelmingly particularistic, with 'family values' (Aronoff 2004) dominating action and it demonstrates just how important emotional and historical influences can be in informing orientation to action of an exchange. It is not just corporate logics that influence the orientation of James's business exchanges but family logics too.

Evidently James has been affected by the changing dynamic of the market and thus changed his formalised contracts but he has not seen his personal interaction with the business shift in any radical sense. This retention of associative based relationships, despite institutional pressures to the contrary has been maintained largely by the amount of social capital that is present in these relationships, facilitated with more ease due to the long-term outlook of the owner manager (Miller et al 2008), helping to build the strength and intensity of ties (Nahapiet and Ghoshal 1998). His relationships are particularistic, as stated he has the luxury of choosing whom to sell to but these are not all communal systems guided by shared norms. Even with creating social ties there is an element of instrumental rationality; the big players will always pay and, as he admitted, he will sell to businesses that he may not personally prefer but he tries to build up good relationships with these people despite his personal preferences. There are, therefore, high levels of associative exchanges developed by James over time. This position of good relations on James's behalf is reflected by a number of his buyers that I interacted with; again contractual issues here are a side-line and a formality but interaction with the company and delivering what is promised in the form of a high quality product is paramount for the continuation of the exchange. In these relationships particularistic relations have developed through the building of trust between parties over time. Trusting relations have clearly been based on the confidence in the moral integrity of James from his exchange partners, a common feature of developing high trust relationships as described by Dore (1983) and Uzzi (1997). With the increased stability that social capital has brought (Wilkinson 2000), James has not been affected by shifting contracts as many of Deborah's winery customers have been. A wider study would show whether or not this is a consistent finding for other family firms in the locality.

Again, these data can inform our knowledge of the dynamics of network exchanges, part of the fourth objective of the research. James has stated, in the quote above he consciously pursues the development of social ties into his business relationship. Consequently the strategy he is pursuing is toward associative based relationships, as the literature anticipated would be found in contacts developed by owner managers. This finding is in agreement with the work of Larson and Starr (1993) who suggest that during venture formation, networks pass through three stages; 1) identifying contacts that are able to provide external resources. 2) Relationships become more multiplex and

instrumental and, 3) there is an increase in the volume and quality of information exchange. Despite their study not including the variable of ownership, the findings presented here suggest that the Larson and Starr (1993) model may have wider applicability to the study of network development in family firms.

The situation differed at Windybank Wines. As stated, they were also currently in the situation of a growers' market but they had also recently gained a new CEO who was very interested in re-establishing and re-negotiating these grower buyer contracts. In this instance, the family were not present on-site and those pursuing contract negotiations with buyers did not have control over family resources, all financial decisions had to be justified to the board, including the price gained for grapes. Here the discourse was very different, when talking about buyers all staff spoke in terms of 'contracts' as opposed to relationships as they did at Clifford, reflecting the formal nature of contracts, as they are anticipated to be in corporate owned organisations. Rod, the former farm manager had recently left the organisation under poor circumstances and had not divulged any information of his dealings with previous contract negotiations to the winemakers or new CEO. Whilst at the organisation Rod had 'played his cards very close to his chest', and nobody else was really involved in the contractual negotiations. This reflected what other employees termed his 'need for control' and 'disregard for formalising' when he was in charge. The new CEO, Steve, discovered that Rod had some unique conditions under which he sold the grapes to regular buyers, with whom he gave very reasonable prices year on year. These appeared to be largely based on verbal long standing agreements with buyers although nobody knew the exact conditions that they were under. Now the economic climate was such that grapes were in high demand Steve desired a higher price from the buyers and was trying to 'get out' of the contracts that Rod had verbally agreed to sell on. This reflects the difficulty of developing social relations in business exchanges, the verbal agreement that Rod had come to with these buyers was seen as more binding than any written contract, it was trust that had been built up over a long period of interaction and it was therefore difficult to then formalise the relationship and revert back to an arms-length agreement. It was, in fact, more likely that these ties would die rather than revert to market based exchange. This is an example of why it has been argued that social capital can inhibit growth; social agreements were extremely hard to get out of. Additionally, some of the

suppliers under Rod's regime would only take particular varieties and then the company were left with a surplus of some grape varieties as Hugh points out:

You can develop a long term contract but, I think, well, it depends. It's probably better to have a yearly contract as then you can review price. Some varieties are in high demand, others aren't. Sauvignon Blanc and Pinot are in high demand. One contractor was taking the three most popular varieties of grapes. Rod gave them a five year contract but nothing has been signed yet. Steve is in the process of sorting that out, he is saying that you can't just take the popular varieties, if you want Sauv Blanc then you have to take some Merlot, then you get a better price.

He's [Steve] trying to...his main goal is to sell all the crop that is not used by us and what would happen with the previous arrangement is that we would be left with lots of Merlot. Other people are willing to take it, there are better people to deal with these guys. These guys are just being difficult. Also the drought in the Eastern States means that there is a demand over there at the moment.

These quotes illustrate that although Rod preferred certain buyers to sell grapes to; these were not necessarily the agents that were willing to pay the highest price. This suggests that although relations were instrumentally based, they were particularistic in many cases, some reciprocity was expected and social ties had developed. Again, this development of relationships under the management of Rod is consistent with the earlier data on relationship development at Clifford of development into multiplex ties, as shown from the model of Larson and Starr (1993). Previous to the introduction of the new CEO, the price aspect was not foremost in the decision over who to sell to, however, Steve was now solely concerned with selling all excess grapes for the highest price possible and he was not concerned with continuing the relationships that Rod had previously established. What the company plan to do next year, is only sell grapes to buyers that will take any variety of grape; these will become the company's preferred buyers and not the length of time that they have been in business with the firm. Donna did not seem entirely convinced of Steve's new strategy and did not think that the buyers who had purchased grapes for a long time from them would be happy about this new method of selling. The long term vision had been extracted from the existing relationships by the incoming CEO, Steve, who desired to start afresh with buyers. Donna felt that it was important for someone who remained in the organisation to communicate their new strategy to the current buyers. Whilst Donna could not describe the former

buyers as close personal friends of Rod she still thought it was courteous to give them notice that they would no longer be preferred buyers. Hugh, co-winemaker, also felt a little out of the loop with the current re-negotiations of buying contracts made by Steve. One of the key buyers wanted to visit the winemaking team next week at the winery and Hugh wished to be informed by Steve as to the conditions of the contract before they arrived so they are aware of their obligations and what is to be expected of them. This interaction clearly exhibits characteristics of instrumental price based exchanges that have been guided by institutional norms, such as one person being the 'keyholder' of contractual information.

This price-based strategy is now exhibited in the methods of Windybank; rather than a waiting list or using personal contacts, the grapes for sale were advertised on an internet site stating how much in tonnage and what price was available and prospective buyers were advised to email or phone if they were interested. This is a very different, more universalistic relationship with buyers than was seen at Clifford where individualised contracts were provided for each buyer and 'preferred' buyers were given preference over which vineyard their grapes were supplied from. The way that the companies interact with the buyers is therefore different. As James stated, he keeps in close contact with the buyers and, as the Lab intern, I also had regular contact with a number of the buyers. I would be testing their grapes to check sugar and acid levels and see when they were ready for picking and they would either speak to James or phone the lab directly for the results before discussing picking schedules with James. They would also sometimes come and walk the rows of vines to see how the grapes were developing. The situation differed at Windybank where the winemakers had not met many of the contractors. Part of the formality of this exchange may be explained by the geography of where the grapes were being sold to in Australia, many contractors were very far away unlike in the US. Hugh also mentioned that they were under yield last year. This year, he said, Peake, one of the main buyers of residual grapes and juice from the winery and someone with whom they had previously had a joint venture, hadn't actually contacted him yet at all. I found this surprising, due to the fact that it was December and harvest occurred, for sparkling at least, in March but no quotas or costs had actually been discussed; there appeared to be no plan. Hugh thought that sparkling was not usually a problem as at that point in the year the picking was fairly spaced out but as time progressed and picking schedules

became more tight, communication would be necessary. Despite the relationship continuing for a long time, therefore, it appeared as if this relationship was not a close one and there was no regular contact between either company or people within the firms.

Undoubtedly, therefore, the way in which these two companies conducted their relationships with buyers was significantly different; and this was not due to market conditions, which were similar in both countries, but personal preferences on how to conduct their business. The family were not involved in contract negotiations in Australia, only being interested in the final revenue for grapes sold and this had resulted in the past in grapes being sold to preferential friends as opposed to gaining the best price for the grapes. Now with the new CEO the contracts were entirely price based exchanges based on short term contracts. In the US case, contracts were also short term and were instrumental but also contained close relationships based on frequent interaction and therefore resulted in a higher proportion of associative based exchanges whilst still being concerned to gain the best return for their product. The dynamics at Windybank may be required to shift somewhat if or when the market reverts to a buyers market and grapes become in excess; in this situation whereas James's long standing relationships and integration between instrumental and social rationality may well enable him to continue to sell his crop, Steve may be left in a situation where a lack of social ties or feelings of reciprocity mean he is left with a bottom price for his fruit.

6.6.2 Relationships with Custom Crush Clients

Clifford were the only company that offered the facilities of their winery for other clients to make their wine. This strategy began as a mutually beneficial arrangement, Will made his wine at the site and gained very favourable rates and, in return, his assistant winemaker based on-site also oversaw Clifford wines. This was an advantage to Will who had recently set up his own label but also to the Clifford's who did not have any prior winemaking experience. It also benefited James and Penny as they opened a joint tasting room on site with Will, with both wines being sold, and this attracted an increase in clients for the newly established Clifford wines:

And you've helped Clifford with regards to sales?

Well we've been very, very helpful in that regards. That's obvious, I mean I don't know how obvious it is to him, but we bring a lot of people up there. But, I mean, this arrangement with James, its great. I mean my presence down there, the way it was originally run, well, he'd never made wine before and even though I was not his wine consultant my being there greatly upgraded his brand. The brand, the cellar practices.

More recently, as will be explored further in Chapter 7, the dynamic of this close relationship had begun to shift, with Clifford essentially running out of space and therefore facing a decision as to whether or not they could continue to accommodate the custom crush clients. Graham, who also custom crushed at the facility, had already been given notice that his contract would not be renewed. Graham had seen many changes at the facility, describing some of these as positive and some as frustrating. However, during his three years he had seen improvements and said that, largely due to convenience and the small distance between the facility and his home, he would rather remain on-site. This relationship was not as close between James and Graham, however, it was one of both reciprocity and mutual respect. The relationship with Will was altogether more complex, beginning as mutually beneficial the position was now becoming untenable for both parties, Will no longer received such favourable rates on production due to Clifford hiring their own assistant winemaker, and James was facing a situation where he could make more money producing his own wine than revenue produced from a custom crush client. There were also differences in the business models between all three makers at the facility, Will, Graham and James:

Graham: James is a family business man that has a certain business plan and that's not the business plan that I have is not necessarily the business plan that Will has. To make really good quality wines everybody needs to be on the same page. And like I said our business plans are different, with a lower common denominator.... It's not what you can and can't do; you work to the lowest common denominator, so that's the difference. If everybody was doing \$50 bottles everybody's denominator would be higher, so everybody standards would be the same.

Will: The Wine business is more about running cash flow than profit. If you custom crush then your profit may be less but your cash flow higher. It's really a matter of where your finance is and what you bring to the table. It

depends on what capabilities you have in that regard as to which strategy you pursue; we have a cash based business whereas James is an asset business so with James his cash flow sucks and that's his decision, its all tied up in assets and that's up to him.

But despite these differences in strategy, when asked both clients stated that they would prefer to stay at the winery. This was for a combination of reasons, the locality in relation to both of their homes and offices, a convenience matter, and getting to know the winemaking team and seeing improvements, they saw the changes as an investment and product of their own work as they were the ones imparting advice in the cellar, not James. Will also had a joint venture with James which was very successful:

And the joint venture, how does that work?

It's basically people in the industry that like my winemaking who like the way that I make wine and want their own label on it. Because I work in James's facility, we've got him in on that. It's basically a Will GD connection but it makes production a little cheaper by having a joint venture, and it helps financially. We each contribute what we can, it's basically my connection and winemaking and he contributes financially, facility and production.

So that's a pretty successful partnership?

Well, yeah it is. I mean its come and go. It's on a year by year basis. The joint venture is just each year, so it just ebbs and flows. I mean its been booming for the last year and will probably go down next year. I mean it's dependent on what's happening in the industry. I mean, cheap Pinot, for example, is no longer possible to find whereas a few years ago it was. In any business it's a matter of seeing what the opportunities are, seeing what you can do and taking advantage of them without over reaching and not breaking any promises. And that happens all the time in business. This business is all based on trust and it ends up being your reputation. So, if someone comes to me and says they want me to make 1,000 cases of Russian River Valley Chardonnay, well, I mean, that's a major act of faith. I put something in a bottle and they pay me for it and it's not up to their standard then it's my reputation on the line as they've already brought it the day they said they want it. There are a lot of handshake deals. That's based on trust. It's trust in integrity more than anything. (Will)

So you've known these people for a long time?

If not professionally then personally. So they've come to me. In most cases its people that I've sold my brand to and then they want something with their name on for half the price. So, they have the same orientation in terms of style, the idea. For me I

try not to do anything that I don't enjoy. You don't do it as well if it's not something that's personally attractive.

Will describes here how he brings his contacts to the organisation and James uses his physical and financial resources to create a synergistic joint venture. Clearly this relationship between Will and James was an embedded one; involving the three unique functions of embeddedness as described by Uzzi (1996) of trust, information transfer and problem solving. As Will states, however, this is run on a year-by-year basis, it is based on mutual reciprocity but is not necessarily a long-term deal, something that currently suits both parties involved. This also says something of Will's dealings with his clients; similarly to James his social ties were paramount when it came to making deals and again stated his reputation. It was his personal name on the label and therefore any tarnish to the reputation of the brand was so too to his family name. This is a well-documented finding of family firms, that the need to enhance and preserve the family name is considered tantamount to success and often translates into and obsession for quality (Aronoff 2004; Dunn 1996). As shall be explained in Chapters 7 and 8, not all was positive about the Clifford-Will GD relationship; the fact that there was a GD employee based permanently on site running the winery with the Clifford assistant had created clear divisions and inefficiencies within the workforce. And, similar to the situation in Windybank Wines about the lack of communication over grower contracts, Clifford employees were also confused about the 'rights' of the custom crush client, what was expected of the staff and, in essence, who their manager was. This included myself and the other interns who were often 'told off' by one of the crush clients for not following their instructions when we were lost as to whose instructions took precedent over the other, much of which came down to the personality and characteristics of the crush client themselves.

6.6.3 Relationships with Competitors

Research has found that in competitive markets collectivistic cultures are important and, furthermore, the family may become an important resource in forming this collectivistic collusion (Eddleston et al 2008). Other studies have noted the significance of collectivism within the wine industry in particular (Brown and Butler 1995) and Reay and Hinings (2007). Relationships with

competitors in all the cases studied largely mimicked those experiences that the respective companies held with both their local communities and local associations. As explained, in the UK, where there was only one primary winery association to be a member of all their surrounding competitors were also in the same association and so they interacted through this method. As described in section 6.5 these interactions were largely informal and were frequently exchanges based on the sharing of information about new processes and procedures, often within a 'virtual' setting. As also described, similar to the situation in Australia two decades ago, in the UK, local competitors would help each other pick during harvest each year, symbolising both associative and morally based systems of exchange where actors not only felt morally bound to pursue the substantive goal but also knew that there would be reciprocal benefits for themselves in the long run. These findings run contrary to the expectations and traditional ideas of Porter (1980) and others, who believe that firms compete strenuously with each other for market power and position.

In the US case there was both more scope and opportunity to interact with the competition. The family and the staff both had close social ties in competitors' wineries with most employees having close friends working in nearby wineries. There was even a community amongst the summer intern cohort, we often met interns of nearby wineries at a local cider house after work to commiserate about another long day of work and when we visited other wineries we would get 'intern discounts', often free on any tasting, very much representing a 'communal' feel. There was also one big university in the area, UC Davis, where the majority of winemakers had studied and so there were a lot of ties established through the education system. These ties were not so evident in the Australian case however, this could be that with the huge geographical disbursement of wineries and with the winery in a fairly remote area, it was much less likely that a friend from college would work 'down the road'. When I first began at the American winery I asked about the relationship with the competitor over the road from the facility, Sam replied 'you'll find its much more about community than competition around here'. This symbolised at an early stage that there would be many communal exchanges within the winery context and these relationships were realised. This is not an entirely unexpected finding, however, as others such as White (1988), and many more, have noted the significance of collaborative research between entrepreneurial firms. Nonetheless, these data do support the view of Brown and Bulter (1995) that

entrepreneurial firms view themselves not as rivals but as allies against larger firms. When our lab probe broke we borrowed one from the neighbouring winery and, similarly, I was sent to a competitor to learn how to use a new piece of machinery that had recently been purchased. It was questionable as to whether these competitors would also work together in times of hardship as well as when the industry was thriving. Two pieces of evidence, however, suggest that these collaborative relationships are not 'one off' collaborations in boom times but remain through the 'bust' period too. Firstly, the data of Brown and Butler were gathered in the Californian wine industry in 1993, when the industry was a half the size that it is today. Secondly, three of the US participants noted the importance of these collaborative relationships in the post 9/11 periods when Americans largely stopped going out to eat and wine sales were hit hard. Both Will and industry advisor Deborah felt that, in fact, competitors more frequently interacted during downturns:

And do you think it's working so well because you're all doing well at the moment?

No, it's even more important when you're doing badly because in the end I'm not trying to take business from another local winery, I'm trying to take business from Santa Barbara or Bordeaux.I mean you put aside your egos and you work together and it has been phenomenal for everybody. And you have to always assume that if you're not doing a good job then people are going to know anyway. So, if you're afraid to be shown against your ten best neighbours then you shouldn't be making wine anyway. So that's what it really comes down to. You have to say that you're going to promote the Russian River Valley and you're going to be one of the top wineries in the Russian River and if you're not then you shouldn't be doing it anyway. And that's been fun. It's a lot of fun. For example, we were at a function and five different wineries came up to me and were asking me questions about things. Not because my wine is better than theirs but just commiserating, collaborating with colleagues. You know, 'we've got low sugar'Its fun working together; It's a very unique business in that sense, I mean you're competitors but you have a lot of common interests as well, so you put aside your competition to promote your common interests. You remember that your neighbourhood is more important than anything. (Will)

This finding suggests that levels of social capital were high in the industry associations that represented these collaborative relationships and there was a sense of 'pulling together', again not only working to save all their livelihoods but also working together for a substantive cause; a clear fusion of particularistic

and substantive rationalities; levels of social capital were high enough so that ties did not become latent during a difficult period. Another interesting feature was that the collaboration did not end with small and medium sized wineries but Deborah had also put together a round table group with CEOs of some of the most prominent wineries from Napa and Sonoma. Research frequently iterates that collaboration occurs to 'fight it out' against the larger companies, to gain some purchasing power but, in this case, problem solving branched out to bigger corporations. The group had been running successfully for over six years and as she stated the people involved had 'gotten over' their competitive status stating: 'they get a lot more out of it by helping each other out with their problems than they do getting concerned over competitive relationships'. She commented upon how the group had built up trust with each other and they acknowledged that by working together they could get a better sense of what was going on in the industry than they could individually. So, it was considered 'common sense' that if you worked together to promote an area then you would all benefit in the long term. High levels of trust were a critical factor in the continuation of this group; it further says something about the nature of relationships and the mindset of the industry as a whole in the area; that the levels of relationships based on a particularistic nature appeared extremely high.

The smaller companies in Australia agreed with the statement made in the USA about colluding to help each other out, also acknowledging the importance of working together but they saw more 'corporate' organisations such as Windybank Wines as pulling against this tide. A large cohort of wineries in the Pemberton Wine Association were working together to try and establish the area as a brand but saw many of the larger companies as simply marketing themselves, when their resources could have been better directed by 'pulling together' they felt. As Peter stated: 'if they're exporting, they just sell it as an Australian product. So the region is important for regional identity from a blending point of view but many of them don't care about that'. It appeared that when the target market of the company is external to the local area, the local identity is not so important; the bigger companies in this instance were looking abroad whereas the smaller firms were looking to increase foot traffic into the region. Evidently there was a difference in strategy in Australia and firms could only work together effectively when there was a common goal, such as in the USA where regional identity and tourism were paramount to all those involved. This finding suggests that the structure of the market has a major impact on the

communal identity of an area and, further, on organisational rationality. Again, this provides support for the proposition that orientation to action is affected not only by emotions and social factors but also by practical factors too such as the location of the target market.

6.6.4 Relationships with Distributors

Windybank Wines and Clifford both had distributors working for them on their behalf. For Clifford this was a simple price based exchange based on demand and the distributor was simply acting as their agent as opposed to their marketer. As explained in the introduction to the cases in Chapter 5, James is not currently interested in growing across state boundaries and therefore forging close relationships with distributors is not considered of primary importance. For Windybank, however, this relationship was critical. Again, due to the widely dispersed market and the desire to increase exports very few clients could be reached directly and a number of agents were needed.

Currently the firm had two major distributors, Maison and Butlers. Maison dealt with the sales in Australia and Butlers in the UK. Until very recently Butlers also distributed and sold stock in the USA, however, due to poor performance, Steve had ended this relationship and has just taken on a new distributor with no previous links to the organisation. Similarly to the action that he had undertaken with the grape buying contracts, Steve had made former organisation ties redundant and aimed to bring his own contacts into the firm and 'start afresh'. He was also trying to establish entry into Asia and had frequently visited contacts in China and Thailand over the past year with prospects of getting a foothold in the market. The company had had a variable relationship with both of their key distributors. Butlers were a contact that was initially established by Richard Grouse the owner, it was commonly contended that had Richard not been a personal friend of one of the directors then the relationship would have ended before now. This clearly indicated a drawback of social capital; had the relationship not been built on personal social ties it would be easier to make the tie redundant but, given that it was based on personal ties, it was now more binding and harder to get out of. This is a commonly cited drawback of developing business ties based on social relationships (Blyer and Coff 2003). The position in the UK presently was one of over-stock, in the main due to over

inflated estimations of how much stock they could sell, a decision taken with Richard's influence. They were now in a situation where the remaining stock was getting stale and needed to be sold or brought-back by the company. This had strained relations between the two companies as Windybank thought they were not putting enough effort into selling the product and Butlers thought that the product was not as high quality as they had suggested. Once this connection had been established between the two firms both Richard and the partner at Butlers stepped back from interactions. Hence, although a social connection had established the contact point, those key actors were no longer directly involved and the relationship between internal actors was simple and price-based. However, it was not as simple as an organisational level price based transaction, at the individual level, social ties remained underpinning the relationship. There was a certain element of informality, however, there were no social ties between people within the respective organisations and the fact that sales were continually dropping was not seen favourably from either side of the partnership. As Larson (1992) and Marsden and Campbell (1984) commented, all ties are inherently vulnerable and can come to an end; this relationship was certainly being tested, however, it was unlikely that the tie would die. It was hoped that releasing the new wines into the market and sending one of the winemakers over to the UK to spend some time explaining the new wines, would go some way to re-establishing the sales in the UK.

Research also backs up the finding that the companies would try and work through their problems, as Uzzi (1996) and Larson (1992) find, when firms are linked through embedded ties they are more likely to work through their problems than they are to exit a relationship. This relationship had clear benefits to both companies when it was established but now it was both non-efficient to each organisation and, further, it was actually detrimental to the personal relationship between the two company owners' social relationship as nobody was benefiting from the present situation. The dynamic of exchange followed other examples of developing from a social communal relationship, into one that was increasingly based on corporate logics. It was now viewed as a stagnant resource by many in the firm but was inherently difficult to get out of due to its intricate particularistic nature with the owning family.

The relationship with Maison was both more frequent and more significant to the firm in Australia. Their national sales formed part of the Maison portfolio and had been incorporated when the company were in a joint venture with Peake who were owned by Maison. When the joint venture ended the wine remained in their portfolio as their brand was well situated at their price point and this was highly beneficial as their distribution network was wide, their brand name highly established and their portfolio small, with only 23 brands. The distribution deal means that Al, sales Manager of Windybank has to sell everything in the Maison portfolio in his area, not just Windybank wines and their agents do the same. Al is the most regular contact with Maison, he is on first name terms with many of their staff and when he has to go to Perth he always visits their offices and is invited to attend their networking events. He describes the relationship as getting stronger since Steve came on board. When I ask about the balance of power and reciprocity Al admits that Maison are the dominant side of the relationship, they make requests about branding decisions and the like but these do get approval from the Windybank Board before being passed.

So do you think there are either any trust or quality bases to this relationship?

Al: I think at the moment its price but as time goes on it will be more and more about quality. I think with quality comes price, I don't need and is buying something out there and demand a price for it.....Australia is so big you need a distributor. You cannot do it all yourself. To get a prestige one is great. I think they protect your brand better than somebody with a larger portfolio. And these guys are protecting brands that are 100 hundred to 200 years old, wouldn't it be great if in 200 years time people could say why I'll look at the age of Windybank. Brand protection really is the key.

Are you given targets by Maison?

No. I set my own targets. But I'm not that into organisation either. I'm set up just to look after the local area, but I can go in and see guys with existing accounts and then put report back to their account manager.

And do you think that you are valued by Maison?

They certainly make you think that you are. I mean I get invited all their functions in Perth. They look after you with discounts as well on all their portfolio. They want you to be a part of their network. And rule number one is use your network.

(Al, Windybank Wines Sales Manager)

Al's discourse is certainly one of a marketer; he consistently mentions how important 'brand' is and how he feels a part of the Maison 'network'. Maison ultimately benefit from Al feeling more motivated in the form of increased sales and Al feels valued by the organisation and ultimately believes in the products of the organisation for which he is selling, even if this is only at surface level. It is also realised that this 'closer' and more social relationship is increasing in interaction since the new wines have been released into the market. The feeling that Al has, and the actions that Maison have taken, clearly exhibit another example of the asymmetrical orientations that actors may have to an exchange relationship; both actors were in the relationship for instrumental reasons, however, Al clearly felt there were higher social elements to their relationship than Maison did. This confirms the importance of the SoE model to take into account differing orientations of actors; one must not assume that each party is in the exchange for the same reasons as the other.

The Maison-Windybank relationship had not been without its problems either. As Donna describes, the serious over-estimations in sales, authorised by Richard Grouse resulted in Maison being left with a huge amount of stock unsold, similar to Butlers. Due to this, Windybank felt as if their wine was being neglected and at one point considered terminating the relationship. However, then a new marketing manager was recruited, who came across from Maison, and got the ball rolling once more. That relationship also fell apart from constant interference from the Board and this again, did not reflect well on the company. In fact, they were lucky to retain their wines on the Maison portfolio. When Steve, the CEO, started he was already quite well established in the industry and he worked on re-building the relationship with Maison, re-purchasing the old wines, putting fresh ones into the market instantly. As Donna explains, the relationship with Maison went from a very bad one where they were not selling any wine to a very good relationship where they are selling double the amount that they had budgeted for distribution sales. Hugh attributes this increase largely down to Steve and the decision to cut the losses with the old wines and release the new ones into the market. This example again clearly illustrates the need for the SoE framework to reflect the asymmetrical nature of relationships and to visually represent relationships as continually evolving, not static exchanges. The relationship between Maison and Windybank clearly retained a power imbalance with Maison being a highly important resource for Windybank whilst Windybank could easily be replaced in the Maison portfolio.

The structure of these exchanges, as discussed, are summarised in the table below, which compares the dominant system of exchange for each element of external ties as discussed in the above:

Table 6.2 Comparative summary of dominant exchanges in external relations

	Universalistic Orientation		Particularistic Orientation	
	Price Based	Moral	Associative	Communal
Exchanges with local community	W		C A	
Exchanges with wineries/competitors	W		C A	
Exchanges with the agricultural community		C		C A
Friendship ties brought into the business				C A
Exchanges with local industry bodies	W		C A	
Exchanges with national bodies	W C A			
Exchanges with grape buyers	W		C	
Exchanges with custom crush clients			C	
Exchanges with distributors	W C A			

Key: W = Windybank Wines C = Clifford Vineyards A= Abbey Vineyard

This table brings together in a comparative nature the dominant exchanges that were observed and have been discussed in the above. It reflects the similar nature and patterns of exchanges observed at both Clifford and Abbey vineyards and the differing nature of those relations that were found to exist at Windybank wines where the family were more distant from the day to day running of the winery. Overwhelmingly the nature of exchange in numerical terms at Windybank wines is of a price based exchange, however, as Chapter 7 will reflect further this does not take account of the impact of such ties which is

shown to be considerable. As Table 6.1 reflected, the mediators of the exchange relations can help us to comprehend why the differences in these exchange systems emerge. The influence of these mediators will be further discussed in Chapter 9.

6.7 External or Internal: A Grey Area

It is clear from the data discussed above, that not all networks were defined by the actors as such; in fact, the vast majority were not consciously recognised as being 'strategic' to the business. The number of external relationships that were held were shown to depend on a variety of factors, including the level of influence of the family (discussed in further depth in the subsequent chapters) and the intended market of company sales; where the target market lay in an environment outside to the geographic location of the firm, so too did the majority of networks in which the company actively participated outside of the organisation.

What also becomes apparent is that even when relationships are 'realised' these are not always as clear cut as simply being 'internal' or 'external' to the organisation, external seems an inappropriate word to use; James certainly does not think of many of his key clients as external to the firm – they are a key part of the success of the firm – they are so pivotal that at the end of harvest party, where in all other wineries only staff members are involved, James and Penny invite key members of the local community and their close friends who have supported them through previous harvests. These attendees include close friends in the local industry; officially competitors, but there is no evidence of such competitiveness at this level. This finding is consistent with that of other family business researchers who have noted the frequent extension of the concept of the family to include employees and members of the community (Aronoff 2004; Dunn 1996; Lank 1995/96; Ward 1987). Further, friendships that had been in existence since high school were called in to 'help out' during harvest periods, and other casuals such as Bill and Dean do not desire a 'career' or full time job, nor are they needed as such, but their part time jobs as 'runners' and 'odd job men' are provided more on a moral basis as these men want to keep busy, as opposed to an economic business need. Before becoming a part of the physical organisation, these individuals were a part of

what Anderson et al (2005) termed the 'virtual' organisation, where kin outside of the organisations benefit the organisation through enhanced emotional commitment and long term understanding of the firm. This dynamic movement of exchanges represents an illustration of social relationships developing increasing levels of corporate logic and resulting in the increased use of instrumental rationalities in exchanges. This was anticipated in Chapter 3 when it was suggested that causal relationships would often be turned into a means of doing business (Fuller and Lewis 2002). This further provides an example of social capital being transferred from one situation to another (Fukuyama 1995), in this instance from a family into a workplace. However, just because these family members are now a business resource, this did not automatically result in an associative exchange system; at least on James and Penny's behalf, this employment was not provided on the basis of economic need but to fulfil emotional commitments. This represented an example of the levels of human capital being higher than levels of social capital within these communal systems of exchange. Human capital in this instance concerns what is known as specific human capital, where skills and knowledge are useful only by the specific industry or employer. However, again, this was more on behalf of the owning family than the workers, Dean and Brian, who saw themselves as active and needed participants of the firm; further demonstrating the asymmetrical orientation of relationships. Nahapiet and Ghoshal (1998) anticipated human capital being more dominant in communal systems than would be found under particularistic systems of exchange due to actors possessing a shared bond as opposed to belonging to voluntary arrangements (elaborated in Chapter 3). It is further associated with education, particularly with a family firm where educating on the family firm can occur throughout childhood and is instilled in family life. Furthermore, knowledge can be transferred to another family member without losing its scarcity value. These data further add weight to the model as proposed by Gersick et al (1997) of viewing the organisation as three overlapping subsystems, without distinctive elements to separate the notions of 'family' from 'business' and, furthermore, from the physical organisation itself.

6.8 Conclusions

This chapter has demonstrated that relationships in these family businesses are not simplistic exchanges but often involve a highly complex and 'messy'

interaction between partners on either side; frequently exhibiting tensions between instrumental and substantive rationalities. The data presented have added to our understanding of a number of the objectives of the research project. Considering objective one, concerning the influence of family members on network relationships, the motivations for entering into a network relationship were shown to vary within and between the companies. When the founder was directly involved in the day-to-day running of the firm the motivations for entering into networks tended to be more emotional, orientated around family values and having higher social and affective elements. These logics were accepted due to the ability of the owner-manager to discriminate amongst network partners on particularistic criteria, a finding not inconsistent with other family business researchers (eg. Carney 2005). Motivations were also shown, at times, to be highly instrumental.

Regarding research objective number two; to assess whether particularistic ties are the dominant form of exchange in family firms, the level of external relationships was demonstrated to be higher in the firm that had an export market as its primary sales target area. These relationships tended to involve less frequent interaction but did not appear to affect the duration of the tie. Once again, where the market was local, the desire to involve other local businesses and form relationships with local suppliers was key, whereas when the market was external they saw much less need to support other local firms. However, this did not preclude any social capital influence in these external networks but social capital was less likely to form the basis for exchange where the founding family were not present. Where the family were in direct involvement in the business activity they demonstrated the ability to discriminate against actors on particularistic criteria, reflecting a commonality between the family firm owner managers, that many decisions were embedded in social structures (a frequent finding amongst entrepreneurs, Hansen 1995; Larson and Starr 1993). So, the prevalence of particularistic ties was explained by the level of involvement of the family, which was linked with the orientation to decision making that the family owners held. This will be analysed further in Chapter 9. Other mediators to relationships were also noted, these included; practical, social, historical and emotional influences. Again these will be expanded upon using the data in the proceeding chapters.

Chapter 7

Internal Relationships

Impact of family involvement

7.1 Introduction

Chapter 6 discussed the nature of relationships in which the companies were involved that were, traditionally at least, beyond the direct activity of the firms. It was demonstrated that external ties did not always involve one-off exchanges but held more in-depth motivations than one may initially observe. It was suggested there were four facets to the orientation of external ties; Practical, Social, Historical and Emotional. The research found that these factors were highly influential in the way in which an exchange was established with a network partner. Another prominent observation was the ability of firms to 'internalise' external ties over time, largely due to moral reasons, and hence altering the orientation to action of the relationship exchange.

The literature surrounding the relationships in family firms has often assumed that these organisations are internally homogeneous when, in fact, they have many different social groups, departments and divisions operating within them (Arregle et al 2007). The SoE framework can add to our understanding and knowledge of these family firms by helping to explain the connections and divergences that exist between these different groups and organisations. Because of the overlapping systems in the family firm; ownership, business and family (Gersick et al 1997), it is impossible to understand one set of relationships without understanding the others. The boundaries between 'internal' and 'external' are clearly blurred within the family firm, as the previous chapter demonstrated, it is nevertheless essential to look at both arenas of exchange to build up a fuller understanding of the exchange portfolios in the respective firms. This chapter uses concepts developed in the SoE framework to continue to examine the nature of ties engaged in by the family businesses, specifically in terms of the effect that family involvement held over the employment relationship and other internal ties, as research objective one desired. In the literature

review, exchanges were anticipated to dominate in particularistic forms of exchange; however, it was not obvious as to the effect that internal relationships held on the overall balance of exchanges that were visible in the firms. Throughout the data-gathering phase it became quite clear that these interactions clearly warranted further investigation and the SoE framework had previously been shown to be applicable to the study of workplace relations, as demonstrated by Beamish and Biggart (2006).

In respect to the examination of internal ties the features of Practical, Historical, Social and Emotional emerged as important influences in the orientation to action of relationships. The factors are developed throughout the chapter, where the orientation of a relationship is found to be dependent on these factors in a variety of ways. For example, even when instrumental rationality dominated the nature of internal relationships, history and social ties affected the basis for the relationship orientation. Such as, although James Clifford largely tended to treat employees in the same manner, the reason that they were in the organisation in the first instance varied greatly. Brian, for example, was in the organisation as a result of nepotism, social and historical factors influencing his recruitment. There are many instances such as these and it is therefore appropriate to refer to these four factors, or bases, throughout this discussion.

The following sections are structured as follows; firstly, existing knowledge of internal relations in family firms is briefly reviewed. Secondly, a narrative of the different levels of involvement of each owning family that formed a part of the study is provided. Thirdly, the employees' interaction with the owning family provides an important insight into how the relationship between these two groups in the organisation has developed. Fourthly, the influences that the family have on the internal ties that are observable are documented. This pertains specifically to the four factors that are seen to influence the orientation to action of a relationship. Fifthly, the visible effects of the family on the employment relationship in the firm are broken down into positive effects and visible drawbacks of family involvement. This adds considerable insight into research objective one of the study, to consider the effects of the level of family involvement on the relationships that are observed. Finally, other effects of internal ties are presented, this includes gendered roles that were visible in the firm and again, affected relationship orientation in a number of cases and further

help to distinguish the nature of associative and communal based exchanges as was the desired objective three of the research.

7.2 Employment Ties in Family Firms

Economic orthodoxy treats work as a commodity and views market dynamics as separate from other social contexts, assuming individuals act to maximise utility (Beamish and Biggart 2006). The literature reviews and subsequent data presented in Chapter 6 clearly reflected a rejection of this simplistic view of the market and instead introduced the SoE as a way of analysing the plethora of relationships that exist for organisations. The framework takes into account a range of influences such as the environment in which a firm operates, the social context and allowing for human factors to affect the relationships that are observed. To view work as a simple commodity misses the meaning of what work constitutes to those involved (Beamish and Biggart 2006) and in a family firm this meaning is anticipated to increase in complexity due to the overlapping nature of family, ownership and work systems (Gersick et al 1997). However, although research has examined the relationship between firms and their employees in small firms (such as Edwards et al 2006; Holliday 1995; Marlow 2002; Ram 1999;2000), research has, as of yet, not been plentiful in its examinations of employment relations within family firms. Further, although family firms are a pervasive force within the wine industry, human resource issues within these organisations are neither well understood nor the subject of much academic research (Kidwell and Fish 2007). This is surprising when you consider that the very nature of the family unit being present in the business consequences in a different set of internal relationships and dynamics than one would expect to find in corporate owned and managed firm.

As Beamish and Biggart (2006) acknowledge, the meaning of work is inherently context dependent, requiring the 'switching of rules' that apply from one work place to another, such as from a factory setting to a home, but, for many agricultural families these boundaries no longer exist; their work setting is also their home setting, as is the case for the families in two of the three case studies undertaken. Exploring this overlap between the study of family and their work settings allows for a deeper understanding of both these areas to develop. The SoE typology provides a framework for which to analyse these workplace

relationships, accepting that not all relationships will be based on instrumental rationality and a universalistic orientation but some, such as kinship relations, will be based on associative and communal relations. A brief outline of what the SoE typology means in terms of workplace relations is synthesised from the work of Beamish and Biggart (2006) and presented below:

Figure 7.1: Evaluating workplace relations using the SoE framework

<p style="text-align: center;">Price Based</p> <ul style="list-style-type: none"> • 'I work for money' • Characterised by: Contractual Relations • Work for: Payment • Formal recruitment process 	<p style="text-align: center;">Associative</p> <ul style="list-style-type: none"> • 'I'll work for your benefit and you'll work for my benefit' • Characterised by: Extended partnership • Work for: Payment • May include paternalistic features
<p style="text-align: center;">Moral</p> <ul style="list-style-type: none"> • 'I work for a higher purpose' • Characterised by: Normative relations • Work for: Honour 	<p style="text-align: center;">Communal</p> <ul style="list-style-type: none"> • 'I work out of obligation to the group' • Includes patriarchal family structures • Characterised by: Obligatory relations • Work for: Privilege

In one of the few studies that have been conducted in this area, Kidwell and Fish (2007) conduct an exploratory investigation of human resource practices in the Australian wine industry. They found that formalisation of human resource practices occurs more slowly in the wine industry than is found in other industries, and that formalisation is largely a function of organisational size. Furthermore, research has concluded that family firms are slower to adopt formal human resource strategies than their non family counterparts (Reid and Adams 2001; Reid et al 2000). This may explain, then, the limited research that is undertaken in this demographic of firm; because their human resource practices are expected to be informal and reactive, there may be no formal 'procedures' beyond that of legal requirements. Looking at employment

relations in small, low value-added firms from an institutional theory perspective, Edwards et al (2006) found that firms in the same market and geographical area were paying very different rates; this was found to be dependent on the preferences of the manager, the history of the firm and the degree of bargaining by workers. Other studies have concluded that when a business is smaller, the human resource systems tend to be more formal for employees than for managers (Kotey and Slade 2005). This tension between employees and family ownership may be due to the pressure that exists between balancing family and work, something that Edwards (1986) believes results in a more contingent and fluid approach to labour.

Rationality is an important dimension of the SoE typology and, as the data in Chapter 6 represented, substantive rationality played a significant influential role in the selection and retention of external network partners. Competing rationalities were also reflected in the nature of the internal relationships that were realised. Past research has shown that kin demands can run counter to economic rationality (Baines and Wheelock 1998). In one of the first studies of its kind, Ram (1994) in his ethnographic study of small clothing manufacturers, found 'irrationality' to exist in the way that clothing items moved around the factory. In this arrangement, friendship ties, or particularistic relations, overrode technical or economic rationality but this was not necessarily a drain on efficiency, rather, clear benefits were found to this arrangement as less hands-on management control was required when social arrangements prevailed. Like the agricultural industry, the clothing manufacturing sector also has a high dominance of family owned firms, and therefore, has been the subject of much research attention (such as Rainnie 1989; Ram 1994; Holliday 1995). Other deviations from traditional rationality in the family firm have been communicated by Holliday (1995) who found clear inequalities in the family firm and hierarchy amongst kin and Sirmon and Hitt (2003) who found family labour was not always a positive resource but may be problematic when nepotism, or a form of substantive rationality, has been employed in the selection process and results in a person who is not effective at their job.

Baines and Wheelock (1998) documented the difficulties of employing family and friends in the family owned firm and found the family experienced difficulties in establishing new understandings and creating working relationships with those that were formerly external to the firm. Ram and Edwards (2003) believe

that in order to fully comprehend these difficulties the dynamics of power relations and the tensions at the interface of the family and the firm need to be further understood. The data presented in the previous chapter led to the identification of social capital and trust as being significantly influential in the tensions that existed between instrumental and substantive rationalities. Moreover, the difficulty of identifying these dynamics in these small firms is that employment regulations do not have impacts on small firms that are easily predictable in advance and are not only mediated by the external environment in which the firms operate but also 'by the often opaque and complex internal dynamics within the black box' (Ram and Edwards 2003:727). As Edwards and Ram (2006) note, to further develop knowledge of employment relations in small family firms we must understand the resources that a family can deploy. This will have much to do with the level of family involvement in the day-to-day running of the firm, as is anticipated in the research objectives. The family can be described as a resource within a firm, with distinct resources available to it, which can result in both positive and negative aspects (Edwards et al 2006). These resources include unique governance structures and capital that some authors have more recently termed 'Family Social Capital' or FSC (Arregle et al 2007). In this regard we can see that by further comprehending internal dynamics of these family firms, we can add to knowledge of employment relations in family organisations.

7.3 Differing Levels of involvement of the family

In describing and analysing internal relationships, the interaction of the family with the business and its employees is demonstrated to be highly influential in terms of the nature of the tie that is observed within that respective firm. In this research the three companies differed in terms of the level of familial involvement; in the US and UK cases the family were fully involved in the day-to-day activities of the firm and living on-site. This is not an unusual feature in agricultural businesses but can be described as an aspect that distinguishes agricultural firms from firms in other industries:

What makes a farm business special among business in general is that fact that the farm is simultaneously a workplace and a home, a production unit and a consumption unit, and a

work community and a family. Hence, the farm is a place where public and private cannot be unambiguously defined. social values, taken-for-granted ways of behaving (ie. the local moral order) are transmitted through intergenerational networks with emotion rules to support them

(Katila 2002:185)

In Australia, despite the land being in the family for four generations, the current family were geographically removed from the day-to-day running of the firm; they were active members of the Board, running the firm at management level, however they did not participate in daily activities and this overlap of production, work and family in one location did therefore, not exist.

At Clifford, James and Penny were present on-site on a daily basis; James particularly worked long hours whereas the hours of Penny were more casual, her role changing with that of the children's schedule. James consistently said how he 'loved to work', at the present concentrating on the farming side of the business, eventually desiring to learn more about the winery side of production. Presently, both James and Penny's knowledge of the winemaking process was relatively low which meant that they were dependent on the cellar workers and winemakers for the production of their product. This resulted in some control being lost to the cellar (an issue discussed further on page 230). High involvement of the family in this instance did not necessarily translate to high visibility, particularly in the quieter periods at the winery; sometimes although it was clear that James and Penny were in the building as their cars were present, they entered through a direct door up to the office and did not walk through the cellar itself, it was possible therefore for the cellar staff not to see James for a weekly period at times. As will be discussed further in Chapter 8 concerning growth, one possibility for the reduced visibility of James in the cellar is that he is unsure of his own capabilities in this area and therefore cannot really get involved in winemaking decisions at present. As harvest time arose James became more and more visible, even moving his desk outside when grape picking was constant, his interaction with cellar staff became more frequent and more informal as time progressed. James was also key in bridging the communication between the field staff and the cellar/winery staff and he preferred it to be this way; he was the knowledge holder in this regard and the go-between although he cited the difference in winery and farming labour laws for this divide. Similarly, he wished to retain key decision making powers, both

in the vineyard and the office, providing daily sampling schedules, detailing sampling methods and micro-managing to the point of checking every staff time sheet on a weekly basis.

At Windybank Wines the owning family were less involved on-site. As explained in Chapter 6, the family lived in Scotland and visited the winery two times a year. They may visit Australia more frequently on occasions but would stay in Perth and meet only with the Board members, all of whom resided there. The family had attended a Board meeting the previous day to my arrival in Perth when both Richard and Margaret had been present. One of the first discussions that I observed was between the CEO and another Board member who were discussing the proceedings of the previous day and who commented on how unnecessarily vocal Margaret had been. She did not always attend meetings; more often than not it was Richard alone, which the Board members preferred. They described her as 'highly strung' and commented that some of her actions were 'uncalled for', amounting to inappropriate behaviour in the Boardroom. This account of Margaret's behaviour differed from the employees at the winery who consistently described her as friendly and polite. This said, the employees only interacted with Margaret on an informal basis on the rare occasions that she visited the winery and had not seen her in a Boardroom or other business-meeting situation. When the family were present at the winery they would not hold a formal staff meeting but would host a dinner one evening.

The winery had undergone changes in management in the past two years and one of the most significant changes was the introduction of a new CEO to the company, Steve. Previous to Steve's introduction to the company, the CEO had always been a Board member who infrequently visited the winery but retained ultimate decision making powers. There was also a farm manager who organised the on-site staff, to an extent, who had been in the organisation for seventeen years but left shortly after the new CEO was recruited. Now the CEO was based in Perth and there was no manager on-site. This feature, combined with the distant relationship of the family with the winery staff, created an occasionally difficult situation with regards to internal ties, as shall be demonstrated in the proceeding discussion.

As explained in the introduction to the cases, the only help the Harveys had in the form of additional labour was through their daughters and friends who

helped out on a casual basis, particularly during harvest. Consequently the Harveys worked lengthy hours themselves and rarely left the site. They overlapped on areas of work with Mary doing the domestic chores and Fred doing the majority of the work on the animal side of the farm both at the vineyard site and at the farm he shared with his brother. The physical work in the vineyard was split more or less equally although Fred preferred that Mary deal with the customers when possible. The administration work was also split, Fred keeping the books for the farm and Mary for the vineyard and shop.

These differing interactions led to an initial assertion that the level of involvement of the family, or the context in which the family were situated, shaped the behaviour that was visible inside firm relationships. The practicality in terms of geographical closeness to the firm in the Australian case meant face-to-face interactions were limited. In the UK, they could not afford to employ someone on a full time basis so had limited choice but to get fully involved in the business themselves. Fred and Mary lived on the vineyard itself and there was therefore no 'escape' from the work. In these cases, practical or rational factors prevailed and were forceful influences in the subsequent relationships that had developed internally in the firms. James and Penny also lived on one of the vineyard sites and, further as detailed in Chapter 6, James had established the close supplier and community relationships. It was therefore not only for practical reasons but also due to social facets of ongoing relationships that meant he was necessarily highly involved in running the business. In this case, James had made himself indispensable in the activities of the firm, but this was not entirely instrumental but due to his need for control and inability to trust in others' ability to act in the same way and enact the same decisions as he would. Embeddedness in business activity was also influenced by historical factors; the Australian family had never been fully involved and had not established any previous close or emotional ties to the organisation itself or people within it. James and Penny on the other hand had established the business themselves and worked as a husband and wife team for over twenty years; they could not disattach themselves from the organisation or the ties that they held within it. Similarly, Fred and Mary had previously run farms and had always worked themselves and therefore there was a certain effect of habituation that was ever present. These initial observations may lead one to suggest that where the family are more distant from the running of the firm or, as Birley (2001) would describe, in the 'family-out' scenario, practical and historical mediators will be

more influential in the subsequent internal relationships that develop than in the 'family-in' scenario where the full involvement of the family mean that social and emotional forces feature more forcefully.

7.4 Employees' Interaction with the Families

As described, in the US case James and Penny were highly involved in the day-to-day running of their business, however, their visibility to various staff in the organisation altered over time (busy times in the winery as well as school holidays were mitigating factors). Interactions were therefore variable depending on which department the employee worked in; with cellar staff interactions were less frequent whereas with office and tasting room staff they saw the family on a daily basis, largely due to physical layout as much as anything else.

Brad, who described himself as James's 'eyes and ears' having been in the organisation for twenty years, was one of the only staff who worked in both areas of the organisation, vineyard and winery, and had frequent interaction with James. He described this interaction as very informal, mostly short interactions that were high in frequency (usually over the phone) with formal planning meetings taking place two to three times a year. He was largely autonomous to carry out his work and did not have an imposed budget to do so; he described himself as one of the tightest people in the company whilst also knowing that James looked at every expense anyway so he would soon be informed if any purchases were considered too large. In this sense, Brad was encompassed into extended family, this had promoted a sense of stability and had enhanced trust, and the level of social capital in the relationship between the two. This enduring relationship had also created a synergy that encompassed a high level of knowledge and would be hard to replicate.

Claire and Gaby also interacted with the family on a daily basis with all their offices being in close vicinity and Gaby managing their schedules. Again, this interaction was largely informal but there were also formal meetings scheduled, with weekly management meetings between James, Penny and Claire as well as weekly sales meetings with the management plus Carol and Jess the sales

staff. James also held weekly winery meetings with the two assistant winemakers, Pat and Sam in order to be informed of events that were occurring down in the winery also holding pre-harvest meetings with the winemaking consultant and other members of the winemaking team. Again these meetings were largely to keep James informed of all the activities in the organisation and their present situation and although they covered a range of set issues they were not described as 'formal' by either party, both dialogue and dress code were of a 'relaxed' nature as one sales employee described. Other staff were also happy to attend these meetings and did not describe them as an inquisition but more of an information sharing exercise, they all knew how James liked to 'hold the reins' and 'keep his finger on the pulse'. Employees held James in high regard, Claire terming him a 'visionary' and Lynnette highlighting his ability to 'make things happen'. Other employees termed him 'sharp'.

On the whole James and Penny had a good rapport with their staff, relationships were informal and their attitude was friendly towards all. This is not to say that they had a 'standard' relationship with their employees. There were certainly some employees with whom their relationship was closer and others with whom they shared more social ties. This finding in the differential treatment of employees is consistent with the work of Edwards et al (2006) who state 'the further a firm is towards the latter [particularistic] category, the more it will allow privileges to some workers, based on kinship or length of service, that it does not permit to others' (p710-711). James stated that he treated all employees the same when at work and in many ways employees agreed with this statement, however, there were some notable exceptions; interactions between Brad and the winemakers were not always easy and the winemakers believed that James would never criticise him (expanded upon in section 8.3). In this instance trust formed a large basis of the relationship between James and Brad which was significantly influenced by historical factors, Brad had been in the organisation for twenty years. This long term participation in the family firm had given rise to mutual dependence, expectations and trust and high levels of social capital. Their relationship could be described as one of high trust, governed by tacit agreements and practices, containing a high level of affective trust, where emotions become involved in the exchange between partners, as had certainly been the case in James's treatment of Brad and the winemakers. The influence was also social, James had attended school with him and they participated in many social events together. Further, despite not being treated favourably at

work, Brian, Penny's Dad would not have been recruited into the organisation were he not family and therefore nepotism got him the place in the organisation in the first instance. There were other examples of nepotism occurring in the organisation, some of which had a negative impact on the employees and the family themselves, as referred to in section 7.6.2.

So, as much as James desired to treat individual members of the winery staff the same, his orientation to the relationship differed depending on the employee concerned and therefore a high number of particularistic relationships were visible in the firm. However, even though the treatment of workers sometimes varied, when including the fieldworkers, the majority of employee relations were largely price based, contractual arrangements. Where workers entered the organisation from prior historical involvement with the family these relations were more likely to develop from communal relations into associative relations, as also found in Chapter 6. However, orientations for the family and for the family-workers such as Brian, sometimes differed in line with their motivations for entering the formal activities of the organisation. Where workers were treated with a different orientation, these could be described as associative relations in the SoE framework, where participants are given preference over non-members (such as Brad and the winemakers) and where the relationship is not entirely based on remuneration such as in the kin relationship with Brian.

At Windybank Wines interaction of the winery staff with the family was not common. The majority of them were unaware of how frequently the family interacted with the Board and knew very little about them. Hannah described how if there were any major changes, such as a change to the Board then they would wait for confirmation from Richard directly but other than that there was very little contact with the family. Donna and Hugh said that neither of them had contact with the family but liaised through Steve on winemaking issues. Prior to Steve joining the company Donna described how Richard had been coordinating new market sales for a period of time and had emailed her on occasions but these were both brief and relatively formal, economic exchanges.

Staff members would also vary as to how they would 'vie' for the attention of the family. Lou, for example, felt that it was his 'responsibility' to let Richard know directly some of the things that were going on in the winery, and with the Board, without going through the 'proper channels':

What involvement do you have with Richard?

Well, I try to keep in contact with him through direct means. I try to make him aware of certain things that the Board may not make him aware of. I hope they do, but I believe as the Chairman of the Shareholders he's entitled to be made aware of certain things.

And how do you communicate with him?

It's more that I put notes in the monthly reports, that I might make a note that a certain expense is as a result of such and such. Sometimes these are Board members' decisions that they have taken.

So it's discreet?

Yes, it's difficult. My role is difficult as I've got the Board members saying that I can't do certain things as far as Richard is concerned, but I feel that they have the right to know as owners

As Lou stated, he took it upon himself to inform the owners when he thought they should be informed of certain happenings. I was interested in what the owners and Board members thought of this communication. Lou explained that he received very little communication back from Richard himself, he sometimes received formal emails about export requirements but that was not very often. The Board communicated back to Lou that they did not like him contacting Richard directly; Lou did not know whether or not Richard was present at this Board meeting but he was reticent that Board members were making decisions that were not in the best interests of the company and that the family should continue to be informed of these decisions and conflicts of interest. It was interesting that the family did not appear to appreciate Lou's moves to inform them of certain goings on; as Lou and other employees described Richard was very supportive of his Board for better or for worse. This could be likened to the situation at Clifford with James's long standing employees. The ability of the Board members may not be as high as an independent candidate, however, the fact that the family feel they can trust them outweighs any of these perceived drawbacks, or arguably prevents them from seeing the limits in their ability. In this case, tension clearly existed between different elements of the same resource i.e. the Board; instrumental rationality would seek to select the best person for the job through a formal recruitment process and on the basis of capital expenditure, whereas substantive rationality places values as the primary orientation to action. In this case the historical interaction with the Board had meant social capital and high levels of trust had developed, with the family firmly

believing the board would act in the best interests of their family. This trust based on prior historical personal interactions outweighed the need for financial efficiency (this approach is demonstrated to be inefficient in this firm, as will be further explained in Chapter 8). So, even where the family were not directly involved on-site, affective trust was not unimportant. That said, financial logic remained the dominant logic for both the family and the Board members; the board was not composed of one but of six to eight members at any one time and there was both a Board in Australia and in Scotland so formality prevailed. Again the family had a higher level of historical influence with the Board and trusted the long standing Board members more than they did the average employee in a site that had experienced a high level of staff turnover.

Al also believed he was the only one in the organisation that felt any responsibility towards the family and the money that was being spent largely, owing to the fact he once worked in his own family business and therefore 'knew what it felt like'. He also made efforts to impress the family when they visited, hosting a dinner for them and this year being annoyed when a miscommunication meant all the other staff also turned up when he really did not want to invite everyone; he wanted to have a chance to impress the family on his own. This rationale of self-interest was similar to his character and attitude at work, being very secretive over his activities and being very reluctant to share information with his colleagues:

.....How do you feel about it, do you have an emotional attachment to the company?

Yes I'd like to think I'm emotionally attached to the company and I feel very much a part of it because Richard has sat down with me and I know what his dreams and goals are with his spirit and other businesses and he wants me to be a part of that, and so straightaway I know that there is some emotional attachment. Richard e-mails me once a month and asks how I'm going. And that makes you feel pretty bloody good.

It must because I haven't heard him about contacting anyone else in the company....

No, no. It does make me feel special, I mean it's even personal too 'how's your kids?' And I ask him the same thing, 'how is your wife, how is your sister, your Mum and Dad?'. So yes, Richard is good like that but I've seen him once in this boardroom going absolutely crazy. And that's fair enough. It was deserved. (Al)

When he's at his vineyard he's very relaxed but I imagine he would spend a hell of a lot of time in boardrooms and meetings

and when he's away he tries to take it as a bit of a holiday as well. But then I think when he goes to Perth I think that's when the business happens. Which is fair enough too because he sees what I do in my reports and if he feels there is an issue then he will talk to me about it but if not, there's no need.

Conversely there were employees such as Donna and Hannah who did not feel a large amount of loyalty to the family in particular. Their relationship with the family and the business was more economic in nature, an instrumental, contractual relationship. Unlike Clifford where employees all commented on their respect for James's ability and sharpness, Donna did not see the same situation with Richard:

Can you tell me a little bit about how you feel about the family?

What I really like Richard he is personally a really, really nice guy. I have not had enough conversations with him about business and winemaking to know really how much respect I would have for him about his views on that. But it does seem that his father, from what I understand, played a greater role and he was really on the ball really knew what was happening.... had a greater perspective of what was going on..... Whereas it seems that Richard either doesn't care or doesn't get it or, um, only can see the bottom line cannot see anything else, like can't see how to get from A to B.

As discussed in section 7.6.2 these strong feelings from the employees towards the family held negative effects for the efficiency and possibly even quality of output of the firm. Hugh and Kirsty were largely indifferent about the family as they had very little contact with them and were not interested in getting involved in the politics of the situation. It was corporate logic and not family logics that dominated the running of Windybank Wines and it was relatively easy for an employee to steer clear of any family logics as they were not often present on-site. If a seemingly 'illogical' request was made the staff would hear of it through Steve, the CEO who would have a rational explanation for why they were doing as such. It was clear that both Al and Lou wanted to be liked by the family and wanted recognition from them, and, to a certain extent, they had achieved their aim, they were the ones who most frequently interacted with the family directly, albeit occasionally, however it was them that had to instigate these interactions. The motivation of the family was for a successful business, 'corporate logic'; they stated in an email that they were not really interested in who was doing the work 'on the ground' as long as the work got done. Similar to the desires of

James, in this instance the family really did treat employees equally with the same rationale and orientation. However, in this instance the family did not feel protective of their members as researchers such as Ward (1987) anticipated family-owned firms would. Here, where family involvement was high families felt protective over their members and extended the family to include a number of employees but where family involvement was low, and corporate logic dominated, the family did not feel protective over their members and market-based exchanges prevailed.

For the employees of Windybank Wines, their orientation differed, as shown; some employees wanted a social tie to develop whereas others were more instrumental and simply needed the organisation to be a 'stepping stone' for their careers. Once more, this finding shows the need for the SoE to reflect differing orientations of actors to networks; the Grouse family treated all production site employees generically but they did not all feel the same towards the family. Another example of the differing orientation to action of the two actors (the family and one staff member) was with Rod, the former farm manager, who held a strong emotional attachment to the firm having been there for seventeen years. He thought that the family were emotionally attached, or acted paternalistically towards him due to the fact that he had lived on-site for his entire duration with the firm and had been given total control of the day-to-day running of the winery whilst he was in his position for nearly two decades. When he was facing difficult times in the organisation and he was called to a performance review in Perth, however, he decided to demonstrate to the family that he was unhappy about this by sending them his resignation. He did this directly and not through the Board. He thought that they would try and persuade him to stay at the organisation, however, they did not and they accepted it. This upset Rod as he thought that the family would feel a strong bond to him but in this case historical influences did not alter the orientation to action to become more substantive, (as has been shown in other cases in the US site), on behalf of the family. During the lengthy period of his employment, Rod had lived-on site and had developed a strong emotional bond with the company and its identity and he believed that this bond would have been reciprocated by the family however it was not and they simply treated him like any other employee on a universalistic basis.

There was a certain level of informality with the families' interaction with employees in both instances. When necessitated, both companies interacted with employees through formal communication, however, in the majority of instances communication was informal. There was a difference between the two cases with communication between employees and the family at Windybank Wines being a mix of formal and informal and distant whereas in the US case interactions were not only more frequent but the relationship that James and Penny held with their employees was certainly closer (as shown in the examples provided above). It was also observed that in both the cases in America and Australia the basis of their relationships differed. These bases were influenced by the 'mediators' as discussed in the proceeding section.

7.5 Influences of Family Approaches to Internal Ties

The ways that the family approached their relationship with internal actors was shown to be influenced by the four facets as mentioned throughout this chapter; historical, emotional, social and practical. This is consistent with the assertions of Katila (2002) who states:

seeing the 'family' in family business as a non-cultural, non-historical, apolitical or even a non-emotional entity has serious consequences for our ability to understand how family and business influence one another in different societal and cultural settings.

(Katila 2002:181)

This research found some factors were more influential than others and again, this varied between the families concerned. Firstly, historical factors in this instance were shown to hold a considerable influence on the manner in which internal relationships were conducted. In the Australian case the Grouse had always had a Board of Directors and this had always been composed of family friends, before their generation took over the running of the firm. The Board had also developed on a generational basis with some members inheriting their positions. Historically, therefore, the relationships had developed as close and social interactions and further were based on trust in ability. James's past experiences had also significantly influenced the way that he dealt with his employees in the winery. When the employees of the produce business gained

union recognition they went on strike over a number of issues creating difficulties for the business itself. James still felt very emotional about this upset, the twenty employees that chose not to strike remained in the organisation through diversification and James viewed these employees as very loyal, however, his future dealings with employees changed. Before the union development he used to loan employees money for houses, house them in very cheap accommodation and provide medical insurance, he thought that they had a very good relationship and so felt very hurt when they went on strike. He now enjoys the fact that employees are unionised as all details are laid down in contracts but he does not offer the benefits of housing or loans that he used to and so the basis of relationships to employees that he does not have familial or social ties with is now more universalistic than it previously was. This paternal role is therefore no longer extended to field staff, nurturing does still exist within the organisation but this is now more selective and is negotiated on an individualistic basis. These examples clearly demonstrate how historical context shapes the behaviour of ongoing relations that are visible within the organisation. Further, this example suggests that through historical experiences James's situated logics have developed from a family logic dominating staffing decisions, to more of a corporate logic when it comes to decisions concerning employees. However, although James aimed to apply this corporate logic to all employees, this was not observed in practice where a large discrepancy existed between the treatment of key staff members. These influences can be compared between cases in Table 7.2 on the following page:

Table 7.2 Mediators influencing the exchanges of the family with employees

	Abbey Vineyards	Clifford Vineyards	Windybank Wines
Practical	Family are physically located on site so they are aware of any persons entering site. Family cannot practically afford to take on full time employees and so have to rely on friends, family and unofficial help.	The Clifford family also live on the site of one of their vineyards. Their presence on-site means they have the opportunity to regularly interact with most employees. The physical layout means that they more regularly interact with office staff over winery staff	Due to the physical distance of the family regular interaction with the employees was not practical. Practical influences did influence the nature of their relations with employees highly, such as when they decided to employ a new CEO as they recognised the need to do so for monetary reasons and to achieve desired growth.
Social	Not having any permanent employees, the Harvey family relied heavily on their social ties to provide labour during harvest times, such as with their competitors in an exchange of labour	Many employees in the firm had grown up with James Clifford which highly influenced his decisions to recruit them into the firm, based on prior social ties. This had a lot to do with trust in the relation and a sense of moral obligation.	Whilst there were no social ties between the employees and the family, there were clear social ties between the family and the board members which, despite being small in number, affected their decision making outcomes in a significant manner.
Historical	Historical influences had affected the decisions about recruiting an employee into the firm, with past dealings with the bureaucracy of recruitment, for example.	James was fully aware that he did not wish to repeat prior mistakes in his treatment of employees in his winery business. This historical influence had affected his intentions concerning relationships but not always his actions.	The historical ties with Board members' families had led to their nepotistic selection into the company. Historical factors influenced the notions of trust greatly in this relation.
Emotional	Emotions influenced decisions to interact and socially exchange labour with competitors in both the winery and on the farm.	Emotional influences, such as prior historical ties and sense of duty had resulted in many nepotistic selections into the firm, affecting orientation to action on a substantive basis into the company on behalf of the Clifford family but this was not always reciprocated by the employee.	Emotional mediators on the internal relations varied, again, for this family. They considered themselves emotionally detached from employees, however in a subconscious manner emotions had come into force in selection of the Board.

As the table reflects emotional and factors were also highly significant in exchange bases with internal actors, despite often being less frequent in numerical dominance. These influences were those that did not employ

economic rationality but substantive rationality, based on values. This was particularly notable in the cases of the UK and USA where the family had a high level of involvement. As demonstrated, James and Penny Clifford had considerable emotional ties to people in the organisation; family, extended family (non-kin) and long term workers. Because they felt so emotionally attached to the organisation itself to a certain extent this automatically became inclusive of key people within it. This finding is not unusual in the family firm as research from Van Auken and Werbel (2006), Dunn (1996), Lee (2006) and Stavrou and Swiercz (1998) have all documented the feeling of responsibility that families have felt towards their employees, promoting a sense of stability and commitment on behalf of the employees. However, as stated above, it was only in the case where the family was highly involved (the 'family-in' scenario) that the data from this research concurred with these assertions. James cited integrity and trust as the two attributes that he looked for in a new recruit, although if the prospective new member was a close friend or family member then the emotional pressure to recruit these figures would surpass these factors, in this case the 'family logic' outweighed the 'corporate logic' once more. This finding confirms what Katila (2002) suggests, that 'emotions play a crucial part in understanding organisations in general and family businesses in particular' (p183). Therefore, in both the businesses where family involvement was high, family logic dominated practice. This is consistent with a number of other research findings, such as Mulholland (1997). There were also a number of examples involving emotional influences that demonstrated the evidence of competing logics that are present in the family business (Friedland and Alford 1991), for example, although emotional involvement did not prevent James from making redundancies when necessary although he did mention emotional turmoil in doing so: 'I still lose sleep before and I still lose sleep after' (James Clifford). For Fred and Mary it was the emotional influences, and competing logics, that had resulted in them not wishing to bring in anyone to the internal organisation on a formal basis: 'for us its nerve-wrecking even letting someone else do cellar sales. When we want to go away we just shut, basically because you can get people in but they can also do more damage to your business than good.' (Mary Harvey). In Australia where the family were displaced from the organisation the emotional tie to members of the organisation appeared less significant. They were clearly socially tied to members of the Board and in that sense were emotionally tied as they rarely made changes to the Board composition however, as shown in section 7.4 despite how emotionally involved

the employees were towards the family and further, despite how emotionally involved the employees thought the family were towards them, they had been shown not to be when they were happy to let an employee go after seventeen years. Some of the remaining employees also picked up on this interaction and now felt as if the family were not emotionally invested in them at all.

Social and practical mediators also influenced the families' approach to internal relationships. As stated in section 7.4, where family involvement was low, practical factors prevailed and a low level of social or substantively rational influences were visible whereas when the family were highly involved in the firm a larger number of social influences were visible and the tensions and interplay between the two were far greater. Again, where family logics dominated the instances of particularistic based exchanges were higher. Social influences were closely related to that of emotional influences, for example James Clifford recruiting a close family friend's daughter, resulting in a less than positive influence on other internal relationships as shown in section 7.6. James has also recently recruited into the organisation a long standing, close personal friend into the position of financial advisor to the firm. Social influences were also prominent at Windybank Wines with the much mentioned composition of the Board of Directors being friends of the family and inherited positions. Practical influences were highly visible for all organisations, as expected, with workers recruited on the basis of need. In some cases the families were reluctant to recruit an additional member to the firm but they realised that they were practically necessary. This was true in the case of James needing a sales and strategy manager and for the Grouse family in reluctantly recruiting an expensive CEO but realising that after a decline in sales and a high turnover in marketing managers that a new approach was required. James also realised that in order to retain Sam in the organisation he had to promote him from oenologist to assistant winemaker otherwise in an industry environment of high turnover he would soon leave for a better job and James saw too much potential in him to let that happen. This was not a problem that disappeared as with a successful harvest under his belt larger employers would now be seeking Sam out and despite a good relationship James was to a certain extent powerless to prevent him leaving, not being able to offer the same remuneration as larger firms.

This discussion, and Table 7.2 demonstrates that the families all had varying influences on how they orientated themselves to their internal relationships. The basis of the relationship altered depending on the individual but this was higher in the USA than Australia where the relationships were closer with individuals. Practical factors that were enacted in the employment relationship in economic exchanges were evident in all organisations however in Australia practical factors were more dominant particularly at the shop floor level where again, relationships were largely distant and formal. Historical occurrences were important for all families in shaping their future decisions although it is not to say that this dictates any more influence on these family businesses than it would on any other individual in charge of a firm. These mediators clearly concur with Biggart and Beamish (2006) who state that in any social setting exchange will involve more than one of the exchange systems, even if one logic is dominant.

7.6 Visible Effects of the Family on the Employment Relationship

The results of family ownership on employee relationships were seen to vary; the employees themselves viewed family involvement as both positive and negative on their working experiences. These effects differed between the companies and are examined in the below. As is common with employee interviews many were quick to highlight the negative factors in the first instance as, particularly at Windybank Wines, they saw the interviews as being a chance to 'get themselves heard'. More positive effects were drawn out through the period of observation and through specific questioning during interviewing.

7.6.1 Positive Effects of Family Involvement

When the employees saw the family working as hard as they did, particularly in times of high work intensity, this evoked strong feelings of commitment and loyalty towards the firm; the consequence of James being visibly committed was that staff were in turn. Penny believed that it was the 'family atmosphere' in the organisation that kept employees loyal. This was positive for the firm who benefited from committed employees who worked hard for the organisation¹.

¹ *There exists, of course, the debate between commitment and control for workers, however, it is not within the realm of this thesis to enter such a debate*

Historical ties played a part in this commitment, Brad and Ryan had both been working for James and Penny for twenty years and were fiercely loyal to the firm and family, they had both been rewarded in turn over their tenure and felt valued in the organisation – even more so now it had been announced that the family would hold a large party to celebrate their twenty years of work for them. This is an example of nurturing still existing in the firm, the sense of family was fostered by these rituals and practices, such as celebrating employees' loyalty and the provision of lunch for staff to eat together during the busy harvest period. Loyalty and commitment were instantaneous from family and extended family members, in the cases studied, however, this did not always mean that these individuals were good at their job. This is an example of what Sirmon and Hitt (2003) describe as a drawback of the family resource, you can end up with someone in a position who is not best suited for the job. All these relationships with workers in the winery were negotiated on an individualistic basis. When I asked Sam about why he took the job with Clifford he said that one big pulling factor was that he got on well with both James and Will as soon as they met, I asked him what would happen now if he left the organisation. He began by talking specifically about the firm and then talked about working for family firms more abstractly:

Now that you've completely changed a lot of the processes, what would happen if you left?

I don't know. I have a lot of loyalty to James. I enjoy working for a family business over a corporation. James evokes a lot of loyalty from his employees.

But why do you prefer working for a family?

I feel that corporations are solely about meeting profit margins. I don't know but I've always turned down corporate jobs. It has awkward moments but huge benefits – a sense of belonging and a sense of extended family – you become family simply because of the association of a family business. It's really powerful and wonderful and used wrongly it's really terrible.

How?

If people are in the job who are there just because they're family, even if they are incapable of doing the job just because they are family, then it's terrible. It's a hard balance and I'm glad I don't have to do it. I don't think I could do it, I think I would end up firing my siblings.

Sam is in charge of the winery and cellar staff and therefore sees the effects of high loyalty, he recognises that James evokes loyalty as he has worked in a

number of other family wineries and therefore has a benchmark with which to compare experiences. Sam feels that the ownership in this situation is used to the company's advantage but, as he discusses above, this is not always the case. Jason also moved from a significantly larger corporation to Clifford. The larger corporation was family owned, however, the family were not heavily involved and his feeling was that the operation was too mechanical, he wanted to work for a smaller family firm where there was more fluidity and interaction. This was consistent with the work of Edwards (1986) that was presented in the introduction, who found that employment relations in smaller firms would be more fluid and contingent, as opposed to larger corporations that often have clear control and power structures. He felt satisfied that he had got this at Clifford, however, he was extremely frustrated with the interaction between the custom crush clients and felt that this was reducing the overall efficiency of the winery.

Loyalty also triggered feelings of responsibility on behalf of the employees in the organisation. All employees at Clifford were very conscious with monetary expenditure, they knew it was a fairly new operation that was not yet profitable and therefore it was in everyone's best interests to be vigilant over expenditure. They were also aware that James would monitor any outgoings. This said, at times winery staff became frustrated that they were not allowed to spend more, had to justify their expenses at all times and were often turned down on requests for new equipment.

This sense of accountability also spread to some areas at Windybank Wines. Certain employees, but not all, felt a sense of responsibility towards the company and family; as mentioned Al in particular was conscious of spending although he cited uncontrolled expenditure as being highly detrimental to the company in the past.

Through the drive Al began talking about the difficulties that Windybank had been through problems, which he saw as being primarily due to monetary issues.....

the problem with this place is that money was being spent left right and centre, whatever they wanted they brought and that's because there was nobody in the family at this place. It was being run entirely by other people and it wasn't their money that they were spending so they didn't care. The Grouse family only come over a couple of times a year and, in my mind, that's not enough. People don't care if it's not their own money that they're spending and

that's the difference; I treat this place as if it were my own, and that's why I may seem grumpy or defensive about some things, because I really care about it. For example, I work 48 hours consistently whereas everyone else buggers off after 38, I work at least 48 hours a week, come in at the weekend to check everything is ok, do the trade shows and occasionally even have to do some work from home, and I still only get paid for the 38 hours like them.

Al and Lou, both of whom said they treated company money as if it were their own, were also the two actors that had the most interaction with the family; Al felt hugely motivated from email interaction with Richard whereas Lou saw it as his responsibility to inform the family of certain occurrences, despite their request to go through formal channels (as documented in section 7.4). Al also felt valued by the family, however, despite being a motivator for him this was not extended to other employees in the organisation who felt neither valued by nor motivated towards the best interests of the family, instead focusing on how the company would serve best to further their individual careers. This was not to say that the employees did not like the family on a personal level, simply that for these individuals their bearing did not have a significantly positive effect on their sense of responsibility towards the firm. This again, highlights the differing demands of the family and the corporate logics.

Fringe benefits were also a common occurrence when the family were present on-site. For example extra days off were sometimes granted when James saw that Sam had been under pressure and working long hours. Similarly following a stressful but successful period of bottling Will rewarded Pat with a 'blank cheque' for him and his wife to go and attend a local spa for the day. This may not be a traditional fringe benefit, it is spontaneous and undefined and the fact that a blank cheque was given highlights the high level of trust that is present in the relationship; trust to act respectfully towards the intended favour towards him. This was gratefully received by Pat but simultaneously he knew that it was to motivate him through the upcoming harvest period 'well, I guess that's me roped in for the next nine weeks' Pat says, 'yeah and you would have been anyway so it's a cool extra' replied Sam. These 'extras' did appear to be highly motivational and were not experienced in the Australian case as there was no on-site manager to reward hard work, it was expected but not so much acknowledged.

James Clifford also gave rewards throughout harvest, frequently when he left the office to go home he noticed that the lights were on and, without notice, a large number of pizzas would be delivered to the winery either by him or Penny. On other occasions if it was busy he would ring down and tell us to order some lunch for everyone. During harvest, James would hire in a local friend, Larry, who was a caterer to cook hot lunches for the staff three days a week. This increased the sense of value from the employees, they felt, myself included, that James was acknowledging and appreciating the hard work that was going on during harvest. It also increased social interaction, the office staff and often the family and fieldworkers would all head up for cooked lunch and eat together; suspiciously the consultant winemakers often timed visits around the times of hot lunch too!

These positive effects were beneficial to both actors in the employment relationship; when the staff felt happy and secure in their place of work the family reciprocated by gaining a loyal employee that was less likely to flee the organisation and hence they enjoyed the consistency that was gained by a lengthy tenure. Similarly, when employees felt a high sense of responsibility the company gained from accountability and non-frivolous handling of money and assets and, further, a higher degree of quality was often experienced with the work produced by employees that were committed to the company. Of course this commitment did not always impact on the firm in a positive way, as explained below.

7.6.2 Visible Drawbacks of Family Involvement on the Employment Relationship

Commitment to the company waned when the family was less visible to the organisation. Once again, this may not be negative for the employees concerned but is certainly a drawback for the organisation side of the employment relationship as it may increase the rate of employee misbehaviour and so forth. Windybank Wines employees largely described themselves as being in the organisation due to the fact there were little other employment opportunities in the local area. Of the few that specifically chose a winery to work in they saw the firm as very much a 'stepping stone' to their careers and therefore their expected tenure was short, as patterns had largely suggested

throughout the company's past. The majority of the employees were committed to doing their job well, however, they did not wish to give anything 'extra', leaving and arriving on their allotted times each day of the year. Al was the only individual that stated he gave extra hours to the company, however during the period I was at the organisation I never saw any evidence of these additional hours being worked. Hannah talked about work in terms of her employers getting 'value for money' and other staff including Kirsty, Donna, Harry, and Lou all used similar adjectives to describe their time in the office, using discourse centred around individuality, 'I do my job the most efficiently', 'I am only interested in what I do', 'I have no idea what the 'others' jobs entail'. The working culture was therefore very much one of 'each man for himself' and not around 'the team', a term commonly used at Clifford. This may mean, of course, that individual gain is higher for each employee who is orientated towards obtaining a higher level of personal gain. However, this lack of communication and team interaction was cited by most of the employees as something that they would like to do more of but not all saw it as a problem, rather an improvement that could be made. In response to my questioning of what could be done to improve the situation at the winery it was unanimous that a manager on-site would help improve the social interaction, it would also prevent any in-fighting as currently everyone saw themselves as managers. With the exception of Kirsty and Harry each individual told me that they were their own manager. However, again, only half of the employees saw this as an absolute necessity, the rest saying that it was preferable but not essential. The employees would not describe themselves as unhappy. They simply take responsibility for their own areas and get on with their own jobs, it is just not so much a team or interactive environment but more of an individualistic culture; a market based exchange based on contractual obligations and salary.

The fact that the family were partially visible in Windybank Wines was a point of frustration for some employees, for example Hugh:

I choose to believe that I'm working for Steve as I can deal with that. I try not to think too much about the Board in Australia or Scotland as I think it's all bullshit and it just annoys me. There's lots of things about this company that infuriate the hell out of me and mostly it infuriates me as I think I could have a good career here for me for three to five years but I honestly don't think I can last that long.

It was not so much that the family were not present that Hugh felt annoyed by but more so that there was a family at the helm who, in his mind, created confusion and complex decision making processes whilst ignoring the problems on the shop floor. Donna too commented how she did not feel as if she was working for a family firm, she recalled how, ironically, there was more of a sense of identity at some of the larger corporate firms that she had previously worked at:

.....you felt like you were part of a group because he had the same uniform and there do seem to be a lot more people in your situation. I think that's what happens there is that you create your own identity because there are more of you, because there were more of the same people doing what I did in my shop in all the other shops.

Again, there was cited a lack of common ground, at the organisation there was no key figure to organise around and individuality was high. Lou also attributed a lot of the company's recent difficulties to the family, 'my feeling is that the rot starts at the top. If the very top person is not looking after things properly then it slowly seeps down.' Again, this demonstrated the feelings of frustration and resentment that the employees felt towards the family, they could see their problems but were failing to act upon them. This was not unique to Windybank Wines, employees at Clifford also expressed frustration that the family did not deal with certain situations as they felt they should. Charlie, in particular was frustrated as he felt that certain tasting room staff should not still have their jobs but that the family essentially ignored the problem as Penny in particular was reluctant to fire anyone: 'our biggest threat is ourselves', Charlie says in this regard.

Clifford also experienced negative consequences for employee behaviour as a result of their seeming lack of delegation. Quite opposite to Windybank Wines, whose difficulty was too much delegation, Clifford did not give out enough employee autonomy according to some employees. Charlie was one of these, he consistently provided examples of how although he was not the official tasting room manager, as the family desired to retain ultimate control in this area, he continually was given more and more of the manager's jobs; he was now in charge of the formal procedure of performance appraisals². This desire to retain

² *Formal procedures (including appraisals, legal information, contract provision, holiday keeping and time keeping) were carried out in both firms by non-family administrators; Monica the CFO at*

control was largely due to historical interactions; when they did have a manager in for the tasting room he did not execute decisions as the family would have and so their relationship ended and since then the family have been reluctant to once again delegate control. This may be largely explained by the over-arching presence of family logic that dominates the actions of the Clifford family. An external manager may have trouble in making decisions in the same manner considering they are not a part of the family unit. It further exemplifies the difficulties for employees of family firms who operate under the constraints of the unitary views of ownership; the belief that all will be working to the same goals, that of the family (Marlow 2002). Jason was also frustrated at this, he felt as if he should have more authority in the cellar and over Pat. However, despite hints to James, he still felt as if James was turning a blind eye to some of the inefficiencies that Will had created in the winery. This may be equated with the findings of Moule (1998) who also found control and negotiation occurring as a result of the dependence of managers on workers for a quick turnaround which meant they tolerated fiddlers as long as production targets were met. As James himself was not familiar with the winemaking process he was dependent to some extent on the cellar workers and winemakers and may well have turned a blind eye to some things as overall he trusted Will in his abilities to complete the job and keep his best interests; social capital was highly significant here, with social and historical factors, giving rise to interpersonal trust and acting as mediators in the relationship (as developed in Chapter 6). When we were having a group discussion about the poor label design Charlie also recalled how he had once given his own opinion and it was not appreciated:

.....later on, back in the lab we were discussing the labels, for example the JV wine 'Athena' has an appealing label whilst none of us are too keen on the Clifford label:

"why doesn't everyone say that they think it could be better?"

"because you don't say what you think around here"

Charlie said that once he had commented, to James, that he thought that the Clifford Rose was a shade too sweet;

'I never heard the end of that, seriously, not for months.'

who from?

Clifford and Hannah, a part time former bank employee at Windybank Wines. In neither case did the family owners take active involvement in formal employment procedures but delegated to trusted others, still being regarded as 'the bosses', but instead providing informal management.

Everyone and I mean everyone. Any time there was a newspaper review of the Clifford wine James or someone would read it to me and say 'see but Charlie thinks it's too sweet'. And every time we had to open a new bottle someone would comment 'but Charlie can't try that, he doesn't like it. It got really annoying'.

He continued

.....the older ones are the worst, by that I mean the people that have been here for a long time, they hate any suggestion of change or alteration, it's best just not to say anything as they will never agree.I get a lot of exposure to practices in other wineries through college and I try and introduce it here but ultimately that hard headed, 'it's my way or no way' approach prevails. He wants ultimate control. (Week 3, Day 4)

In this instance the fact that there was a family in charge of the organisation, who were essentially the only ones involved in any key decision making, Charlie felt disrupted the best outcomes from being achieved and also meant that employees were hesitant to make suggestions for improvement as they knew that the family were reluctant to do so, or so they felt.

Further, in Clifford nepotism had an obvious effect on other employees. This had not been the case so much in the cellar and winery but in the tasting room in particular. Again Charlie and Lynnette both recalled how disastrous it had been when James and Penny recruited their very close family friend's daughter to work in the tasting room, Selina. Charlie said that James called him into his office and had 'a rant about how pissed off he was with her' and then said that because she was like a daughter to him 'he just couldn't have anything to do with it'. The problem was that Charlie said, these ladies did not listen to him at all as they knew that nothing would ever happen to them. Charlie felt that this was unfair: 'it's putting me at a disadvantage power wise but at the same time putting it all on my shoulders'. James and Penny desired to retain close relations with her and her parents and therefore either had to get someone else to deal with the problem, such as Charlie, or would even be willing to keep her on in the organisation to avoid upset and she was well aware of this. At one point Selina even said to Charlie: 'I don't have to listen to you or anything you say, our parents are best friends...I could even have you fired....'. It was not just once that this had occurred either; Charlie recalled three instances of long term family friends, all of whom had been problematic so when I asked if they thought that James and Penny had learnt from this experience both Lynnette

and Charlie replied with a resounding: 'No!'. In fact, at the time the research was being conducted Lucy, the daughter of Claire the CFO, worked in the tasting room and was proving unreliable. James had again called Charlie into his office and asked Charlie to deal with it stating that he and Penny could have nothing to do with it as they did not want to upset Claire. This was neither efficient nor positive for the other employees in the tasting room who all felt that whatever these individuals did they would not get fired and therefore treatment of employees was unfair, despite the fact that James stated how he consciously aimed to avoid this. As well as exhibiting clear drawbacks of nepotistic behaviour, this example shows a differentiation in how workers are treated on a particularistic basis.

This finding is not entirely unique; research by Beehr et al (1997) found that non-family members of family business 'reported even less personal advantage than people in non-family businesses' (p309). The reasons for this are, until now, largely undocumented. However, Beehr et al (1997) believe, the advantages that are open to family members such as advancement, may translate into disadvantages for non family members. This research makes no such finding but, from the data presented above, posits that when the family are more distant in the management / running of the firm, problems arise with task delegation and employee perception of accountability. Further, when difficulties do arise the employees see a potentially accountable group, the family, doing little to resolve the issues at hand and it is in this situation that there is less advantage perceived by the employees than under corporate ownership when this lack of action and accountability is expected.

7.7 Gendered Roles in the Family Business

It is possible to examine ties in relation to certain groups such as gender roles and, although it was not the primary focus of the study, it became clear throughout the period of observation that gender played an important part in the internal dynamics and development of the firms. Despite not being possible to enter an in-depth debate of the clearly gendered roles in the businesses at this point, it is clearly an area that warrants further attention and could be a route for expansion and development of the study.

For women in the family, gendered divisions of work were significant. As Holliday (1995) describes, a contested gender division of labour often resides under the guise of a 'family' firm. At Clifford, James and Penny had worked together for twenty years building up the produce business before diversifying into wine. Penny used to take a fully active role in the business citing numerous examples of times that the children would have to accompany her to trade events and the like. However, now the children were teenagers they required more ferrying around she said she had therefore taken a less active role in the past four years although she remained Vice President of the company. She was at present confused by her current interaction with the firm, on the one hand she enjoyed spending time with her children however she felt compelled to spend more time at the winery as if anything were to happen to James she would 'need to step in and take the reins'; she fully supported the business activities but was in a sense divided in loyalties. The finding here supports the dominance of 'family logic' that is shown to operate in Clifford, as Van Auken and Werbel (2006) believe that where the spouse is less committed to the business and more concerned with family values, family logic will dominate. James also wanted her to take more of an active role in the business; he noted how she was not as involved at the moment but wanted her participation levels to increase and for her to spend more time at the winery. He foresaw this happening once the children were old enough to drive and would therefore not be so dependent on Penny. The role of Penny could be argued, therefore, to exhibit characteristics found in a moral system of exchange, as Beamish and Biggart (2006) conceptualise one type of moral system as a women's work as an expression of love, personality and moral commitment to the concept of family and community. She is attempting to gain knowledge of the firm for her husband so that if anything happened to him then she would be able to continue it for the family. James also noted that their relationship was different at work than at home:

And also, one of the hardest things for a family business is the part when both spouses work together and now, Penny and I have worked together for the last twenty years, and there's been times when its been very difficult to do it because I tend to treat everyone the same, I treat everyone the same whether its my daughter, my employee or my wife because I don't feel that you should ever play favourites because that screws up your staff and I don't want that. And that's just the way I am. So that

kind of created a little bit..... But I like to be fair with everyone
but , you know.....

This comment from James somewhat contradicts what was said by other staff regarding James's treatment of family and friends employed in the firm. It signifies that although he believes he treats all those in the organisation the same, on a universalistic basis, the other employees do not feel the same, believing he treats certain people on a particularistic basis. Perception of orientation is therefore different for the different actors involved in the relationship. Significantly, and also visible in this quote, James as well as Fred Harvey had certain identity and ownership complexes; both talked in terms of 'our business' when talking about the past and how the business had been built up but, interestingly, when referring to times of hardship or resounding success that each company had faced, the discourses of 'Me' and 'I' were frequently referred to. In both instances these men felt as if when it came to the crunch it was their business when in fact both women were expected to carry out domestic duties as well as work in the organisation. To the men this domestic duty did not count as 'work' hours, a common scenario in many households worldwide but particularly significant when the business was a part of the family unit. To support the contention that he sees women as a less significant part in the organisation Fred imparted his advice to another grower:

Fred is recalling a conversation that he had today with another grape grower who was asking his advice as to whether or not to continue to sell his wine to the contractors or whether or not to open his own shop:

'So I told him, he doesn't need a manager, he just needs a wife! That way they won't want the title 'manageress blah blah blah, they could just get on with it.

He considers how many hours someone would have to work in a shop and decides that ultimately a housewife was best suited to the job;

'Not everyone wants to work that many hours. At certain times of the year they could just sit their and do their knitting.'

'But' Mary replies

"they still have to be there, that's not time off".

This said, despite the fact that Fred ultimately saw the business as his and the role of women in the business as a support mechanism, he also acknowledged that Mary did a lot of the managing: 'the woman is always in charge.....I'm very

well trained.... But sometimes I rebel!' (Fred). This comment was said loud enough so that Mary could hear she smiled and replied by saying that there was a discrepancy between how she will tell him to do one thing but actually he will forget what he was supposed to do, or discover something else to do on the way and get sidetracked. Throughout the period of observation it became apparent that without Mary's guidance and direction the business activity may be significantly lower, (as demonstrated by Fred's other business interest with his brother where very little activity occurred) but Fred still saw the 'hard graft' that he did as primary importance. Their relationship could be described as exhibiting characteristics of a communal system of exchange where logics are of a collective nature and are of mutual obligation. Beamish and Biggart (2006) believe that patriarchal social systems are a form of communal structures where female labour is largely unremunerated and underappreciated source of material and emotional support in the domestic sphere. The nature of the relationships between both James and Penny and Fred and Mary in particular, clearly exhibited characteristics of this communal exchange, which are often said to include kin relations. James and Penny's work relationship, as described demonstrated facets of both communal and moral systems of exchange and could not clearly be delineated into either; the relationship is dynamic and at different points in time one logic or exchange arena may dominate another. This highlights the importance of not viewing exchanges as static but dynamic and ever-changing.

Penny Clifford was seen as unreliable by some of the staff in the organisations due to the inconsistent hours that she was at the office. It has been difficult for Penny to demonstrate 'dual commitment' to both the business and the family, when she stayed for a long time at work the children were unhappy and when she did not stay long, as was often the case, she was not taken seriously by other employees in the organisation who saw her as elusive and uncommitted. Those same staff that had described James as a 'visionary' described Penny as 'elusive'. Gaby, the office administrator had given up trying to keep Penny's schedule and now she managed her own. Charlie also commented on the fact that she was not present at the organisation enough and therefore did not have enough time to implement new ideas: 'Ideas have a habit of going into Penny's office and never coming back out, she either doesn't like them and doesn't want to say, or doesn't act on them' (Charlie). This supports the work of MacDonald and Liff (2007) who found work families and home families were often in

competition for women. It was clear that the emotional attachment or feeling of responsibility was higher from the employees towards James Clifford than Penny, however, it was not necessarily reciprocated in this manner; James did feel a sense of obligation and commitment towards his employees, some more than others, but Penny too felt very emotionally attached to the organisation and to staff that were based at the winery. She was also the one who arranged staff functions and parties and hence the emotional factor was a larger influence for her towards the staff than the other way around. The practical factor of her not being present at work enough meant that the relationship was not so close as it was to James. We can see here, as we have throughout the chapter, that classic paternalistic features are visible within Clifford, clearly there is a notion of commitment to the welfare of staff along with a strong emphasis on knowing each 'core' staff member. This is, as Ackers and Black (1991) believe, a common characteristic to family firms, however, here paternalistic features were only found in the organisation where family involvement is high. From this we may posit that the higher level of family involvement in the business, the more likely one is to observe features of a paternalistic nature. This would, of course, require further investigation on a larger scale to fully develop this proposition.

Both Penny and Mary had also exerted their own influences on the retail part of the business, both were in charge of selecting items to sell in their retail areas and often, in both locations, items that were not of particular relevance were for sale because the women simply liked them. It was because they had the authority and feeling of ownership over these particular areas that they did this, putting their 'feel' into their areas. The following diary extract from Abbey Farm exemplifies this:

One thing that was noteworthy, as well as being a great source of amusement, was the fact that when I was looking around at the many things in the shop whilst waiting for Mary I saw a 'passport holder' on the shop shelf. Another conversation about the 'randomness' of the shop proceeded and Mary admitted that she had far too much stuff – again. When I asked about the random single passport holder she laughed, 'yes well,' she said 'just occasionally we put things in the shop that we have been given'!! She laughed but effectively was saying that any unwanted gifts they received personally, they sold on in the shop!

It was totally opposite in the Australian case, where the focus was solely on the wine with no other products being sold, it was clinical and there was no 'personal touch'. This was neither necessarily positive nor negative but does signal a marked difference; the clinical nature of Windybank sales area could possibly lead to an 'unremarkable' sense, on the other hand it may suggest to some clients that the company is fully focused on the wine.

At Clifford there were no women workers in the wine making side of the business other than myself, there were female workers in the office however in this instance no gender divisions were raised. At Windybank Wines there were women in both the office and the wine department. In this instance they did feel as if there was a gender division present in the organisation. All three women talked about the 'boys club', as did the men in the office when referring to the Board, but the ladies also commented about the fact there were no women on the Board or that had ever been in a high position in the organisation. Those that had been recruited into a high position in the organisation had both left the organisation under strained circumstances, both having encountered difficulties with the Board. Before these women started as Marketing Managers at Windybank they were hailed as the brightest candidate (consecutively) and then, as Hannah commented, they were based in Perth with one of the Board members and had left before you knew it. Donna also commented on Ella, the former winemaker's relationship with the male dominated Board:

It seems like she had to put her foot down quite hard, harder than any other male would have to do to get their point across, to force the fact she did know what she was talking about and if you don't do what she said there were going to be consequences. I find that frustrating because I'm not the type of person I would like to have to do that but if I choose to rise up the ranks it seems that unless.... it is a very wonderful situation where I don't have to do that but it's very likely that I would have to do that and almost be a bit brutal. They used to try and override her on decisions that she had the most experience and knowledge of.. and to be honest if it had been a man who was telling all the same things they may have actually paid more attention. I hate to say that because I'm not a feminist....

All three women who were currently in the organisation foresaw this apparent 'glass ceiling' changing with Steve the new CEO, who they all felt would support career development. The Board member who had clashed with the two

marketing managers before, had been asked to take a step back from the direct handling of employees now Steve was involved and so none of the employees foresaw an incident like that occurring again. The difficulty Donna said was that the Board was composed of friends of the family and friends of other Board members and therefore there was a 'closing of ranks' if times got difficult. In this instance therefore social and historical ties of the Board members may prevent equality from being achieved.

7.8 Other Internal Ties

As discussed in section 7.6, with all the family companies studied there were many instances of 'grey' areas of ties where relationships are neither external nor internal to the business. In Clifford, when extended family worked in the business the basis of the relationship was described as substantive but the exchanges differed inside and outside of work; as explained in section 7.4. There were other examples that were discussed as external ties that also had an effect on the internal relationships in the business. One such relationship in Clifford was the effect of the custom crush clients and, in particular, the primary client, Will from GD. The development of this relationship is discussed in the proceeding chapter, however, it is significant to note the effect that this relationship had on the internal ties within Clifford. Will had brought many external contacts to the firm but he had also brought Pat, a GD employee who was based at the Clifford facility. The division of work between Pat and Sam (the Clifford assistant winemaker) was unclear throughout the observation period; staff were confused as to who to take orders from and who was their boss:

Austin talking to Nick saying 'I feel like I have got two, no three, bosses at the moment; Sam, Pat and Jason. At the end of the day I get a work order and I never know which one to do first. I don't want to have to pick my own allegiance, but if we do not get to know who's in charge then I will eventually have to. This is not what I want, it's too confusing, you know'.

(Week 3, Day 2)

Rather than solely dealing with their own company's wines the work was divided as a whole between jobs in some areas but in other areas they stuck to their

own production. Examples of jobs that were divided were between the barrel room and the lab, with Pat in charge of the Cellar and Sam the lab. However, this did not always work and once again resulted in confusion to other employees. The dynamic between the two workers shifted significantly over the harvest period, at the beginning the two were inseparable, doing every activity together, much to the frustration of other staff members who expressed annoyance at two senior staff members carrying out tasks that only required one person. Further, because there were no clear divisions of work on occasions work got missed, as the following diary extract demonstrates:

The problem was over the press, Pat, Sam and Will we are all outside trying to work the press (which still had to be washed outside before tomorrow); none knew how to work it and we have to use it first thing tomorrow morning. Will was in the lab reading the notebook instructions "God, I have the worst memory, I can't remember shit". What I cannot fathom is why neither Pat nor Sam had thought about this before! We need it in less than 12 hours for over 40 tonnes of grapes and they have only thought about seeing if they are able to operate it at 7pm the day before! I think that this is where, if they had divided up clearly individual responsibility before the pre-harvest work began, that they may have not come across this problem. We left at 7, leaving them to sort out the problem of the press (take it JB does not hear about these things!) (Week 4, Day 3)

It was due to altercations such as this that the relationship between these two key members of staff shifted during the period of harvest. By the second week into grapes being received into the winery there were clear signs that Sam was getting frustrated with Pat; he would do a lot of work and help Pat out in his wines but did not feel as if he reciprocated in this labour exchange. They began to spend less time together and although would remain light hearted in exchanges Sam's frustrations became continually visible behind closed doors in the lab where I was based. In essence the tie between these two had shifted from being very much a social base in times where the work load was not great, towards a more calculative rationality in times of work intensity

Both Clifford and Windybank Wines employed external wine consultants. At Clifford Greg was more of a regular visitor than the wine consultant at Windybank Wines, where Gary came from across state. Greg also had social ties with James, James had selected him personally as his winemaker since the outset and Greg was also wine consultant for a number of other local wineries with whom James was friends so there was a clear network of ties around, but

not entirely based upon, the consultant. Greg was in regular contact at the winery, with James in particular. Due to his close tie and substantial history with James, James would take his recommendations on board even when Sam, assistant winemaker did not necessarily agree. This was due to Greg not only having experience in the industry for longer but also his experience in relationship with James was longer than that of Sam and he had proven to make wine decisions that had so far resulted in a success for the company hence resulting in a high level of trust in ability. Greg and Sam held semi formal information sharing meetings that were based on an exchange of knowledge and not on social ties, the relationship was friendly but the orientation to action was one of instrumental rationality. This demonstrates that different people within the organisation held different bases to action and differing exchanges than others. Table 7.2 summarises the relationship exchanges that were observed internally to the firm; although market based exchanges dominated the nature of internal relationships, these were by no means the only form of exchange as the above data represented:

Figure 7.3: Empirical Representation of Internal Ties in the SoE Framework

<p style="text-align: center;">Price Based</p> <p>'We have no interest in who completes this task, as long as it gets done by 30th November'</p> <p>'I do my job the most efficiently. I am only interested in what I do'</p> <p>'It seems that Richard either doesn't care or doesn't see it or, only can see the bottom line and cannot see anything else, like how to get from A to B'</p>	<p style="text-align: center;">Associative</p> <p>'I treat this placed as if it were my own, and that's why I may seem a little grumpy or defensive about some things, because I really care about it.'</p> <p>'I have a lot of loyalty to James. James evokes a lot of loyalty from his employees'</p> <p>'I believe the family atmosphere that we've created here means that a lot of our employees will want to stay with us for a long time.'</p>
<p style="text-align: center;">Moral</p> <p>'I want to keep my foot in the door here and I really need to spend more time here, because if anything were to happen to James I would need to be ready to take over the reins' (Penny, Clifford)</p>	<p style="text-align: center;">Communal</p> <p>'Employing family and friends creates huge problems....James knows what's going on but just says 'I can't get involved, she's like a daughter to me.'</p>

This table is useful in summarising how the internal relationships can be represented within the SoE framework. It further indicates that the mediating political, social, historical and emotional factors may also help us to understand the nature of internal relations that emerge. The data gathered suggests that when practical factors mediate relations, such as the employment of staff into the organisation on the basis of economic need, for a job requiring basic institutional as opposed to institutional trust, contractual price-based based exchanges are likely to exist. Whereas when emotional influences enter the exchange; such as in the instance when family friends are recruited into the firm, substantive rationality as an orientation was likely to emerge. In instances where historical and social ties were present, loyalty to the family was increased and associative work relations are probable. Moreover, presently the framework does not demonstrate that orientations to action may differ for the individuals involved in the relationships, a seemingly important extension to the framework. Orientations to action have been found to vary, for example, James initially selected Greg as consultant winemaker due to a combination of social influences and reputation whereas Greg accepted the job due to economic reasons, the price was right, although Greg said he enjoyed working with someone he liked and respected. Here, the four influences to relationship orientation, that were proposed in the initial half of this chapter, enabled differences to be observed in orientation even where the arena of exchange are the same (in this instance an associative system). Practical influences dominated Greg's involvement in the relationship whereas social and historical influences were important for James. At Windybank Wines the relationship with their consultant was more distant in terms of geography and social interaction. Again he was selected on the basis of reputation but this time there were no social ties involved and the exchange was friendly but was based on a price based system; knowledge and advice for money. There was also less loyalty to this consultant as the contract was formalised and when it expired they could move to another consultant without feeling obliged to continue the relationship.

7.9 Conclusions

This discussion of internal ties in the business, and in particular with employees and the family, has demonstrated the importance and relevance of the four mediators in examining the basis of these relationships. It has shown that

factors can vary in influence greatly at both individual actor and group level and factors such as history were extremely important in influencing the future basis of action on behalf of the family towards their employees. Firstly, practical influences were evident in all organisations, however, social and historical influences had been shown to overcome these practical factors, particularly in recruitment. For Windybank Wines this applied at Board level whereas in Clifford social and nepotistic influences were more evident throughout the hierarchy. Therefore social ties continued to be important within the organisation as well as external to it. These findings will be carried forward to Chapter 9 where they will be analysed in relation to external ties and applied to the system of exchange framework.

This chapter has also shown that the greater the family involvement the more human relations are affected by ownership status. When the family are not directly involved in the day to day running of the firm then the effect that ownership state has is generally negative as they can see the family essentially ignoring their problems and concerns. When the family are fully involved in the firm the effects of motivation of employees can be far greater; more loyalty and responsibility is felt. However, it is not all positive; employees can feel grievance procedures are rather biased; they are not always able to feel open about their problems and note when employees are being treated favourably due to their personal ties in the organisation. On the flip side, it can be difficult for the family; sometimes people are hired due to personal ties and emotional pressures are exerted on the family to employ this person and they are not dismissed for the same reasons, that it would strain social relations with these actors. If there were no social attachments then there would quite simply not be a place for them in the organisation. There was also a difference in the firms with the effect that was felt from responsibility; at Windybank Wines the underlying lack of integration had resulted in a feeling of isolation for employees whereas at Clifford there was a seeming reluctance to delegate power. This is seen to be a highly influential factor in the development of relationships in both firms, as will be explored in the proceeding chapter. Further to this, gender differences within the firms were noted, particularly with regard to husband and wife interactions in the business and this area was noted for a further expansion or development of the study.

Chapter 8

Key Issues in Understanding Relationships

Contradictions in Growth

8.1 Introduction

Chapter 7 presented data concerning the internal relationships that were observed in the three firms studied. It largely pertained to research objective one which was to examine the effects of familial involvement on the nature of relationships that were observed. It was concluded that where family involvement was high, employees largely viewed family ownership as positive whereas when family involvement was low there were clear drawbacks for the employees in terms of the firm being family owned. The four mediators that were presented in Chapter 6 as influencing the orientation to ties Chapter 6 (Practical, Social, Historical and Emotional) were again found to be relevant mediators of internal relationships.

This chapter is the final of the data chapters presented in the thesis. It relates to the changing dynamics of the firm and, in particular, the growth of the firms. Despite growth not forming a primary research objective, whilst in the field it became apparent that growth was a critical and constant deliberation for all three family firms that formed a part of the study. As documented in Chapter 5, in the introduction to the cases, each of the three firms desired to grow in one way or another (the definition for growth adopted in this study is stated below) but it became apparent that the relationships in which these firms were engaged held a significant effect on each of their abilities to achieve this growth. This chapter explores how understanding the growth objectives of the firm can help shape our understanding of the systems of exchanges that may be observed. This discussion also develops our knowledge of research objective four which was to understand the nature of the dynamics of exchanges and, in this case, the concept of social capital becomes significant as owner managers desire to retain the benefits of social capital that have developed whilst simultaneously

desiring to change the dynamic of the exchange towards an instrumental orientation to action, often with limited success.

This chapter identifies how these relationships can result in a discrepancy between the desires of the firm to grow and their ability to enact that objective. It briefly outlines the shifting dynamics of each firm before turning to a discussion of the orientation to action of the owner managers and how instrumental and substantive rationalities acting as a basis for exchange results in these contradictions arising. The chapter then discusses how the particularistic structure of social relations can both help and hinder the development of the firm, demonstrating that it is not simply relationships that affect growth but growth that affects relationship development. Following this, the concepts of social capital and trust are considered, demonstrating that different forms of trust can act simultaneously as an inhibitor towards, and an impetus for, growth. Mediators of exchange relations, personalities of owner-managers and the desire to retain control are all shown to effect the orientation to action of the owner-manager, and hence have a knock on effect for growth, and, in the final part of this chapter, each of these concepts are discussed respectively.

8.2 Growth and the Shifting Dynamics of Relationships

It is clear that growth holds different meanings for different actors. For the purpose of this study the definition of growth as given by Penrose (1951), to accept that growth is not always an increase in amount but can also mean 'an increase in the size or improvement in quality as a result of process development' (pg 1). As other authors such as Storey (1994) have noted, in their research into the wine industry, growth can include, but is not limited to, an increase in production, staff, quality or assets and can also include forward and backward integration (a winery planting more grapes or a grape grower adding a winery) and diversifying the business by adding a restaurant or accommodation. It is important to establish the wide boundary of 'growth' as a concept in this research due to the desire to examine the motivations for and ways in which the companies may grow and expand. It is not the aim of this study to compare in quantifiable terms the way in which these businesses have grown but rather to comparatively examine how relationships have affected their ability to grow.

Past research has clearly supported the contention that family logic influences in a business may result in non-economic decisions being taken, particularly in terms of growth. Dunn (1996) found that the majority had foregone some investment in growth in order to retain family control. In their study of 350 small UK family firms, Poutziouris et al (1998), found that family owned firms had lower asset turnover and a higher proportion of property assets to total assets than non family owned firms which led them to suggest that non family owned firms are more market and growth orientated whereas family owned firms 'flail' in a struggle between higher profits and the family losing control. Moreover, it is argued that the concern with preserving wealth generation, in order to pass the firm down to the next generation, inhibits investment in resources and growth strategies of these firms (Carney 2005; Eddleston et al 2008). Furthermore, some family firms are also found to have a lack of long-term business policy or commitment to growth (Gallo et al 2004), suggesting that growth may be an organic, informal process in some of these firms.

The industry in which the firm is situated is another important consideration. As demonstrated in the secondary research of Chapter 5, and the data chapters 6 and 7, the agricultural sector has some unique characteristics in terms of identity and identification with the land and has undergone significant change in the past three decades. Although diversification is nothing new within the agricultural sector (Ilbery 1991), research evidence suggests that farmers do not diversify in order to be able to grow, but rather to be able to continue farming (Ilbery 1991; Katila 2002). The motivations of the families to enter the wine industry in the first instance are therefore of interest. As section 5.6 described, all three case firms developed into winegrowing as a result of agricultural diversification, as a means of sustaining and creating the viability of their farms. It is common within the farming sector, to find that financial compensation is lower down the priority list than lifestyle, in fact, as Katila (2002) comments often farmers are willing to work hard without any financial compensation just to live up to the expectations of the moral order. This suggests that holding onto the farm business is paramount and survival is essential (Katila 2002). This assertion provides interesting insights into the personal motivations of the owning family to grow; it indicates that the historical and emotional contexts will be highly influential in the current and future situations that each family owner-manager finds them and their firm in. This contention is consistent with the influencing mediators of orientation to action as have been anticipated in the previous two data chapters.

As stated in section 5.6.1, Abbey farm had recently seen the production of the vineyard rise from 1,000 bottles to 3,000 bottles, or 250 cases of wine annually. They had, at the time of the study, just invested in their first tanks of their own in which to store their wines (previously they have rented them from the winemaker). They consider this to be a large investment in their future. The couple were presently facing a difficult decision about how to proceed with the business. Until now they have survived with just the two of them working in the business full time, along with support from Mary's daughters and family friends to help with the annual harvest. Mary has been reluctant to employ someone as she doesn't want to 'deal with all the paperwork'; she believes that employing just one person will not be feasible due to all the insurances that she will have to take up, such as Employers' Liability, in order to employ the person. That said, production is increasing to the level that it is not possible to complete the work with just two people and family friends don't mind helping out for a few years but they are getting to the point that fewer and fewer people are willing to help for free each year; 'the novelty's definitely worn off' Mary comments.

Clearly one of the biggest challenges for the Harveys is not knowing where best to direct their resources; in the shop to sell or with the vines to produce. Similar to Jan Smith's experiences in Australia, informal arrangements with 'helpers' were becoming untenable. In larger vineyards there would be an expert who would be able to anticipate problems such as mildew and have it addressed before it occurred. There would also be a team of workers to deal with issues such as de-leaving and pruning; often these were seasonal and temporary but they would exist. In their local area, Mary did not believe that this would be possible. If they were to employ someone then they would have to increase their production to make this financially viable. Additionally, the financial commitment would be considerable and they would have to find new channels in which to sell their product as farm gate sales would not be able to account for much of an increase. Practical considerations therefore were a primary factor in the decision making process regarding growth. They were considering applying to the Welsh Assembly Government for a grant for an official tasting room, as they knew vineyards that had received such grants in England, however, they were unsure as to whether or not they really wanted to increase the size and production. It was a constant source of angst within the family and they felt that if they did not do it in the next few years then they may never do it at all.

At Clifford, the direction for growth was more certain. As stated in section 5.6.2, the family started with the first wine grape harvest in 2001 with two tanks and at the time of the study, in 2007, had over 30 tanks and produce over 24,000 cases of their own wine (with over 500 acres of land) as well as wine from a joint venture and production from custom crush clients who make their wine on-site. At the beginning of 2007 a big investment was made to the physical winery structure and plans were being drawn up for continued physical growth as well as the prospective purchase of additional land. Reflecting his desire to grow, James commented: 'In ten years I think that our wine label will be up to 50,000 cases and we will probably be farming 600 acres of grapes and I think all the same management people that are here today will be here then' (James Clifford). James does not only talk about growth in terms of assets but also in terms of 'efficiency', a term that he very much liked to use, reflecting a language of instrumental rationality (even if this is in the desires as opposed to the action of the actor). The primary aim in the winery is for growth in terms of profit as currently, the vineyard activities are supporting the winery and everyone would like the winery to become profitable as a standalone activity. With so much cash tied up in assets and such a large capital outlay required (tanks, barrels, machinery etc), it is traditionally a lengthy period before any winery turns a profit with many firms failing before they reach this point (Gallo et al 2004).

One growth issue facing the family is their relationship with custom crush clients such as Will (see Chapter 7), with Dan being 'outgrown' by the Clifford business that could now afford their own winemaker and desired to have their wine take precedent. The position for the preferential custom crush rate was becoming untenable; James Clifford needed more room to make his own wines and he would make more of a return on his own wines than he would from having a custom crush in place. James and Penny therefore faced some critical growth decisions over the next two years. It was highly likely, they believed, that the contract for Will's DG label would not be renewed; 'our goal is that we can grow Clifford stuff to be self sufficient with nobody else' (Penny Clifford). As stated in Chapter 7, the movement had significant effects for relationship development and continuity; James and Will had known each other in social terms before entering into a business relationship and joint venture and therefore the relationship was particularistic in orientation and was now increasingly underpinned by corporate logics. Neither actor desired the tie to die and so they were trying to work through their relationship, attempting to end a business

relation whilst retaining social ties. This had resulted in a much longer timeframe for relocating Will's GD business and a longer phase of more informal negotiations, than would have been observed in an instrumental relation where there were no social or historical mediators of relationships. This illustrates that mediators of exchange relations, such as these factors, can develop our understanding of the dynamic nature of exchanges. Here, where social and historical factors were highly present, death of a tie relation was much more unlikely.

At Windybank, with regards to sales growth, this is something that the owning family at Windybank 'very much want to see happening' (see section 5.6.3). The family held other winery interests in France and a Distillery in Scotland, where they are based, all in phases of continued growth and they to see the Australian winery do the same; they do not see that this growth has been as successful this far and have hired Steve, a new CEO, to 'make this happen'. When Steve was initially in position during the beginning of last harvest, he cut production right back to 10,000 cases from over 18,000 cases the year before as the firm were in a position of excess stock. Steve has moved to sell more bulk grapes and juice and wants production and selling to be concentrated on excess stock before they begin to increase production once more. At the end of 2007, when the study was conducted, stock was starting to move due to increased sales and promotions the 2007 domestic allocation was already nearly sold out. This difficulty in growth may be attributed to the logics that have been employed by the family in the business decision making thus far, particularly in terms of Board member recruitment, as Chapter 7 reflected. Gallo et al (2004) attribute lower sales figures of family owned wineries to the unwillingness or inability of firms to exploit all available resources. Without taking undue financial risk, the recruiting of Steve into the organisation was seen by the family as one way to exploit resources beyond their current capabilities, particularly as Steve had good network contacts with overseas buyers, an area where the firm were targeting their increased sales growth. This was an instrumental recruitment decision by the family as it has been found that family businesses often have difficulties in penetrating international markets (Anderson and Reeb 2003). However, the family still desired to retain tight control over the decisions that were being taken and hence Steve had to take even relatively minor decisions through the Board of Directors who were recruited on the basis of nepotism by the owning family.

8.3 Orientation to Action Highlighting Contradictions in Growth

8.3.1 Instrumental Rationality and Growth

Instrumentally rational relationships were seen have the potential to both benefit the firm in terms of growth and constrain its ability to grow through enactment of these relations. There were examples of when instrumentally rational relations had positively aided the development of the firm. Steve, CEO at Windybank, for example, was particularly significant in bringing external ties to the firm. His previous experience with wineries and distribution companies of wine was highly significant in his appeal to Windybank as their aim was to increase their distribution and sales abroad and Steve already had contacts in these areas, especially in Asia. Steve also had a long standing, if arms-length relationship with the regional wine association (WIVA). It didn't matter which winery he was working at, the relationship with his contact at the association meant he was one of the select few to receive information on prominent journalists that were visiting the region and always therefore got a chance to have his wines under review. Steve had a proven track record of growing other wineries and his contacts also became useful at Windybank. The social capital that Steve had developed outside of the organisation initially was becoming productive. By effectively buying-in Steve and his contacts, the organisation was hoping to achieve ends that would otherwise not have been possible.

However, although in this instance instrumentally rational exchanges had supported growth, there were instances, with internal relations in particular, where this orientation to relations had resulted in constraints on the development of the firm. These instances were highlighted with the varying relationship that the Grouse family held with their employees. As Chapter 7 discussed, their relations with shop floor level staff universalistic in nature whereas the Board of Directors were selected on the basis of substantive rationality. This ever-inhibiting matter of a lack of an on-site manager at Windybank continued to affect internal ties; due to the fact there was no over-arching figurehead present, employees continued to act very individualistically. Each managed their own section and on occasions tried, and often failed, to manage each other. The assistant that Al had fought so hard for, Kirsty, was now in the organisation but was often not kept busy by Al, who was described

by all his colleagues in the organisation as being 'very protective' about his work. On the one hand he wanted an assistant and on the other was reluctant to delegate. This was not helped by the fact that Al would not accept direct responsibility for giving Kirsty her jobs to do but all other people in the organisation saw her as 'Al's assistant' and therefore did not give her jobs to do that they had. On more than one occasion I heard Kirsty say 'Al, what shall I do?' and Al reply: 'whatever you want'.

This individual operation and lack of formalised management systems had resulted in inefficient practices, possibly if all the people present in the office worked as team then one less staff member may be required. Instead they all worked on an individual basis. Due to Rod being in the organisation for such a long period of time it was largely thought that he trusted employees to do their jobs effectively (Al and Annie confirmed this line of thought), in which case trust acted as a substitute for formal control systems under the old management of Rod. Additional difficulties arose when there was an idea for improvement by an employee because there was nobody to follow it through unless that staff member was motivated to do it themselves. The majority of them were not as they knew from experience that their hard work would not be recognised. As detailed in Chapter 7, this employment relationship is inhibiting for the motivation of the staff, it means that the firm were not getting the best performance from their employees which affected growth in efficiency and sales through a lack of motivation to sell a product for which they held no interest or loyalty. Donna expressed this lack of motivation when she stated:

On in the quiet afternoon I asked Donna: "wouldn't you ever want your own winery?"
Donna: "I'd have to become far more motivated than I am now!"

This created problems not only in terms of improving quality of the wine itself but also created difficulties with her co-winemaker who became increasingly frustrated with her lack of motivation.

These relationships held further constraints on growth in monetary terms due to a lack of accountability from the staff. It was a common belief that due to the fact the money was not the employees' personal account, they could spend money how and when they wished, as Accountant Lou, describes:

As I said when I came here they all thought that money was a bottomless pit, that went from the Winery all the way through to the office. That's not the same as the farm, he's very frugal with his spending to the point that things there have suffered. Like the winery, last year they got a budget and regardless they felt as if they had to spend it all. The concept of the winemaker at the time was 'this has been approved so we'll spend it'. There's a \$10,000 pump that they've got even though we won't need it for a few years so it's just been sitting there depreciating. It's the same on the vineyard, they've got a mechanic and yet all the machinery went into town for a service.

And why did people spend money like that?

In many ways it was just totally irresponsible. I really think the previous manager was stale and had been for the past 5-10 years. He had been with the company 17 years, he was more of a vegetable farmer than a viticulturalist. We used to produce onions and then the Board decided the land would be better with a winery and so they made the change and the money just kept flowing, effectively off the sheep's back. It was just rolling off the farm and made available for this business.

Due to the distant relationship between the family and the employees, the employees felt no obligation towards monetary efficiency as it was simply money, not 'somebody's money' as was the case at Clifford where there were stringent financial controls, all of which had to be passed by the family. The Grouse family were simply described as 'very rich'. The fact that there was a Board of Directors seemed to affirm to the employees that the family had 'money to burn', despite them being placed as a control mechanism by the family. In this instance, therefore, the distant relations with employees had resulted in a constraint on growth, despite the belief from the family that there was an 'efficient process' in place. This is consistent with the findings of Burkart et al (1997) who find that families acting on their own behalf can adversely affect employee effort and productivity. Further, Lubatkin et al (2003) suggest that non-family employees' perceptions of fairness in terms of resource allocation from controlling owners, is dependent on the extent of self control exhibited by the owner managers. If the owner managers 'are perceived to make decisions that gratify the immediate needs of family members as opposed to promoting long-term value for the firm, they will be perceived as unjust. Such perceptions are likely to lead to dissatisfaction of non-family employees and reduce the likelihood of high performance or long tenures of these employees' (Sharma 2004:15). From the quotes exhibited from employees within the firm, this has clearly been the case.

8.3.2 Substantive Rationality and Growth

There were also cases where substantive rationality employed in the orientations to relations had gone against the growth objectives of the firm. It is not the intention here to re-invent the wheel of Granovetter's proposition of the weakness of strong ties, but instead to highlight where the employment of these rationalities had been actioned against the expressed desires of the family. This was particularly notable, again, in the relationships that were internal to the firm. At Windybank this contradiction was highlighted through the substantively rational nature in which Board members were selected.

'One of these guys rather was on the board and he inherited his position as Director and then put all his mates in. What I can't understand is how the Scottish Board let that happen. We can't control any of that but how can they let that happen?!

'For instance the Board of Directors in Australia, they're all friends, every single one of them and they basically elected their friends into position which is pretty much a bad idea as you need Directors to be independent and individual. That, as I say, was the way it seemed to be run; directors just dabbling. Ted [XXX] was put in position as he was the son of one of the previous directors.'

Here, the statement of the company had been to achieve continued sales growth and financial efficiency through cutting costs and yet clearly the orientation from which these Board members were selected did not achieve this objective of efficiency. Selections were made on the base of friendship, emotional and historical ties, and not on the basis of the instrumental desire to achieve an increase in profits through selecting the most appropriate individuals for the job. Further contradictions had also arisen as a result of the relationships that the Board members themselves held. It would appear that there were numerous conflicts of interest that had arisen from the Australian Board members looking to further their other business interests, that had impacted on the winery and deals that had taken place. As the following quote demonstrates:

There's a director there who is also on Kato's....So there you go, jobs for the boys.....There's also one of those directors who is on the Board of another winery, so he's on the board of that. One of our financial people also works for them. There's so much of that.

You just shake your head and think there's just too much conflict of interest.

A specific example of these internal ties being for Board members' self interest, is recalled: Two years ago it was decided that a re-branding of the Windybank 'second label' wine was required. At their instance two of the Board members took over the management of this project:

The company spent about A\$50,000 on re-labelling the 'XXXXX' label. They went to 'XXXX' from 'XXXXX' in 2006. At this point Steve was not involved in the company. Hanna and Donna explain that the Board members decided that they wished to change the label and insisted on doing it themselves right through the stages of approval, despite at the time the senior winemakers all despising the design and making their comments clear to the Board. One of the board members had a friend who was a designer and sat on the Board of a design and print company and they got it done through him, and were very insistent on this, despite better advice from company staff. It ended up being a hideous label and a financial disaster. As Hannah expresses "that's half the problem with Windybank, they're all in bed together.....it's pillow talk". The conclusive view is that the Seven day road label looks like a Wanted poster. Sales have been very low and this is highly attributed to its highly unappealing label. The company are now having to spend a large amount of money re-branding the label two years later. (Week 2, Day 2)

This example is a clear demonstration of the negative impact, and contradictory nature of the families' actions; they aimed to increase growth but the actions they had taken in employment selection had resulted in a large loss in monetary and sales terms. Whilst they had instrumentally based a decision to employ an independent CEO, which had benefited the firm, they retained these substantive ties and therefore only limited improvements in efficiency could be made. This is consistent with the dangers of nepotistic behaviour as cited by Anderson and Reeb (2003) and Gomez-Mejia et al (2007) who found that in many instances families who place one of their own members in CEO positions at the cost of excluding more capable and outside managers are found in many instances to restrict the growth ability of the firm. Here, this contention is extended to include not just family members, but any selections that had been made on the basis of substantive rationality to top positions in the firm, the Board in this instance. The individuals who have inherited their positions through nepotism have been

shown to be at the forefront of the conflicts of interest and are believed to take up a valuable position on the Board, in addition to being paid in excess of A\$40,000 per annum. In conclusion it is observed that the plethora of conflicts of interests of these Board members is acting as a constraint on growth and works against the objectives of the company. The quotes show that there is an underlying tension for the owners between instrumental and substantive rationalities; in this instance inheriting a position as Board Member demonstrates how the family feel an obligation to put their friends and even friends' families on the Board. This may also be explained by issues of trust, if historically the family have shown themselves to be trustworthy in their actions, and interpersonal trust is developed then the perception that their children would also act in the best interests of the family is increased. This was a case of 'better the devil you know' in some respects; the family have afforded nepotism and idiosyncrasies in informing their orientation to action. In cases where social capital is accompanied by a high level of trust, the need for opportunistic behaviour is reduced (Steier 2001). As stated, this has created difficulties for the other employees in the firm who are aware of the nepotistic selection of these Board members (and are also aware of how much they are getting paid), when they see little action. This has been a contributory factor to the lack of accountability or care for monetary spending in the firm, as mentioned in the section above. Presently employee dissatisfaction within the company is presently high and many employees do not foresee themselves remaining in the organisation for a long period of time. This turnover may well have a negative effect on growth of the firm and therefore, employing substantive rationality in this instance may well make the family feel socially and emotionally satisfied whilst inadvertently affecting the direct growth capacity of the firm.

This trust in ability, or institutional trust has, in this case, provided a foundation for developing stability in these market based relationships, as well as having knock-on effects for developing new business. New market entry may pose a difficulty for the Cliffords due to a lack of external ties in the industry that span State boundaries. Again, this is a common finding of family firms having difficulty in penetrating international boundaries (Anderson and Reeb 2003). At Clifford there were also examples of how internal ties, created as a result of personal relationships, had consequentially resulted in actions taken that conflicted with the growth objectives that were articulated. The three 'runners' in the organisation; Brian (Penny's Dad), Doug and Bill were odd job men, collected

and dropped off orders, picked up supplies and suchlike. As was described in Chapter 7, these men were not necessarily needed in the organisation; they were employed on the basis of moral ties and not financial efficiency. This nepotistic, adverse selection of family members is believed, by some, to harm the longevity of the family owned business (Anderson and Reeb 2003; Carney 2005; Miller and Le Breton Miller 2003). Further, it may help to explain the slow growth progression of the family firms. As Dunn (1996) asserts, it is due to the sense of responsibility that families feel towards both their own family and families of employees that a long-term strategy focus is taken, gaining on incremental regional expansion as opposed to wider or rapid geographical expansion. Whilst this may be true at Clifford who are focusing on regional expansion, this is has resulted in a conflicting situation for Windybank who are simultaneously aiming for rapid geographical expansion, whilst acting in a substantively rational manner towards the firm Board. As Miller and Le Breton Miller (2005) note, the intentions, involvement and values of the family will influence how it is positioned and controlled and, whilst both Windybank and Clifford have clear objectives for growth, the confusion that exists between emotional decision making for the top level Board and instrumentally rational decision making on the shop-floor at Windybank, has resulted in a rather muddled approach for the firm; a dual level modus-operandi. This shows that although one logic may dominate, there is sufficient room for the logics to shift and change depending on the context of the situation. In this sense the significance of situated logics, as defined in Chapter 3, come into play acknowledging that institutional logics will be affected by specific contexts. These will be further discussed in section 8.6.1 and taken forward for analysis in Chapter 9. Clearly, in both of the firms there is an objective to be instrumentally rational and employ a corporate logic in decision making but, in both cases, short term considerations rendered family logics to take over. This was particularly evident when it came to bringing people into their organisation, in which instance interpersonal trust became paramount, over and above the bigger picture of achieving growth and expansion.

8.4 Particularistic Social Relations and Growth

Within the structure of social relations, particularistic relations that had developed reflected difficulties in achieving targeted growth. For example, relationships and collaborations with competitors and local industry associations had aided the development of the business; local competitors had worked together during harvest, a mutually beneficial relationship, and forums and internet threads had been set up with the local associations in the UK which were a much utilised method of exchanging information and knowledge exchange (see Chapter 6). This knowledge sharing partnership enabled arms' length, more universalistic exchanges on the basis of mutual benefits for all parties to improve practice and methods of growing. Here, formal processes such as transactions were coupled with informal processes such as sense-making and committing, to develop trust. As the amount of relevant information shared increases during negotiation phases, the probability of advancing to transaction and agreement phases increases (Ring 1997). However, although this knowledge exchange had so far been beneficial for the Harveys, there were signs that this relationship may become inhibiting in the future. This was signalled by a similarity in the other two cases where associations had developed in a very similar manner. In James's instance, for example, although some of these associations were still useful for developing his business, in others he had become the source for knowledge as opposed to a receiver of that knowledge, which, in efficiency terms, detracts from the time spent developing the business.

For James the impetus of joining these industry associations was not so much on the basis of a price or knowledge exchange but more on a moral basis for feeling as if he would like to participate in the local community and for sustainability. Of course there were intrinsic benefits for him, by helping in growing the local industry, his business would benefit from a higher volume of visitors and additionally by being involved in various local networks he would often hear of land that may be coming up for sale, an asset that he was continually looking to grow. The importance of these collaborative relationships is, therefore, noted, as it is by other authors who have conducted research in this industry (Reay and Hinings 2007, for example). However, the impetus for James's participation in these organisations was now social and moral, not in

order to grow the firm in efficiency terms as he stated in his intentions. In this case the need to satisfy his personal, social desires had overridden the corporate logic for growth.

Particularistic relations with the community had also developed into problematic relations for the firm. In the initial phases of business development local markets were helpful to the firm and particularistic relations gained them a loyalty base very quickly. However, in a phase of growth, particularistic relations with the local community were shown to present a double-edged sword. This was because individuals now believe that they were entitled to continued benefits and discounts, even though the company could no longer afford to provide these benefits. As outlined in Chapter 6, this was problematic for James Clifford who felt obligated to continue providing these discounts if he was personally approached to do so, even though they were making a loss for the firm. Here, due to the expectation of continued reciprocity, inefficient transactions had emerged. This adds to our knowledge of the development of exchange relations; whilst these particularistic relations were, at first, mutually beneficial, this situation was no longer tenable but was also hard to develop into more instrumental ties without the loss of social capital. James was mindful that community support would be vital in times of trouble, and he was an active participant in community activities, and therefore did not want to render the ties latent and so was aiming to remove himself from the physical site of the winery in order to avoid the situation occurring. This highlights the difficulty of particularistic relations when situations are no longer mutually beneficial and also demonstrates that actions, such as continued discounts, were not entirely instrumentally rational but were emotionally obligated to continue. These particularistic relations therefore dented financial efficiency.

8.5 Effects of Trust and Social Capital on Growth

In the firms where particularistic relations dominated action, such as Clifford, there were higher levels of personal social capital and relational trust which, perhaps inevitably, impacted on the subsequent actions of the firms. One example of the potentially harmful effects of these high levels of social capital on business outcomes was the case of Brad at Clifford. Brad was a handy-man and he was one of the first people ever employed in the organisation and

happened to be James's 'eyes and ears' as he put it; officially having no managerial status but clearly very important nonetheless. This 'standing' created significant problems between himself and the winemakers during harvest: On several occasions Sam and Pat wanted to get Brad to do something which he wouldn't make priority and an argument ensued; in one instance both sides were adamant about not shifting their position and each had to go and see James, who became mediator in their deteriorating relationship. The difficulty was sorted out, on a temporary basis, but as Pat describes: 'yeah it was sorted out but it should never have been that much of a hassle, the problem is ultimately he's [James] never gonna see Brad doing anything wrong'. Other actors were also getting increasingly frustrated with the work that Brad carried out in the winery and the lack of knowledge associated in this area. When Graham was voicing these concerns I asked him whether or not James had been to visit other facilities in the area to get an idea of winery design;

No and he doesn't care to. He uses Brad and Brad doesn't have the design capabilities or understanding to design them and James just wants the job done he doesn't care how it's done as long as it does get done.

Kevin confirmed this opinion:

.....from the staff there now, not to harp on about Brad, but the 'Bradisms' that are in the winery are not conducive to furthering the winery.

In this instance it was the personal social capital that had developed between James and Brad that prevented James from seeing the rational or efficient solution; for the physical side of the winery he was relying on Brad and his ability to 'build anything' without having the knowledge to dispute issues that arose. In this case high levels of interpersonal trust had led to knowledge exchange and information sharing between Brad and James and had, in turn, created value in the exchange relationship. Ultimately Brad had proven 'loyal' and therefore his word would be taken over and above employees who were equal in hierarchical status, and had greater expertise, but had not been at the organisation for such a lengthy period of time. In this case the interpersonal or resilient trust is characterised by the faith in the moral integrity of Brad, on whom James depends for the realisation of collective and individual goals that he will deal with in the future (Baier 1986). Further, as Davis et al (1997) argue, family members act as stewards to the firm, identifying strongly with the firm and view

performance as an extension of their own wellbeing. In this instance, one could certainly argue that Brad viewed himself, and was viewed as, one of the extended family. Having known James since school and worked with him for over twenty years, they had been through everything together and Brad was implicitly trusted to have the families best interests at heart and act as one of the family, even if the decision making outcomes were observed to be contradictory to James's expressed intentions of being 'efficient'.

In all cases the families had surrounded themselves with actors that they already knew and they had brought these individuals into the organisation to attempt to facilitate growth. This recruitment was both for reasons of trust and to exploit the social capital that they already have with these people. One exception to this is the recruitment of Steve into Windybank, but who came highly recommended by the trusted Board members and who cannot progress decisions without the authority of the nepotistically selected Board. These data may therefore go some way to progressing our knowledge of research question four, which considered the direction of development of relationships. Firstly, the majority of those that have been brought on board to the firms at management level have been actors that were previously known to the families, agreeing with the assertions of Gibb (1997) and Fuller and Lewis (2002), that social relationships are likely to be converted into business relationships. This suggests that relations move from purely social relations to developing higher levels of corporate logic over time. The influence that these high trust relations had in the internal running of the firm was substantial and, whilst the presence of these relationships were anticipated, their prevalence was not.

However, social capital was not always a drawback for the firm in terms of growth. As reflected in Chapter 6, James had also used social capital to his advantage, in developing the firm. He was instrumentally rational in selecting and developing certain external contracts with whom he strategically developed social relations in order to retain the benefits of the ties into the long term. This strategic action had resulted in a high reputation as a grape seller and meant he had a long waiting list of purchasers that wanted to buy his grapes: 'We have a list of 10 wineries waiting for grapes. Big wineries'. Here integrity and consistency had formed key aspects of trust relations (Gabarro 1978). But, whilst James had experienced high levels of social capital amongst contacts in his immediate area, his contacts did not expand over certain boundaries. Unlike

Steve at Windybank, James and Penny had always lived in the local area and therefore did not have many relationships that existed outside the immediate area. Although currently the company are selling out in their local area, they do have another label that goes out over-state, and these sales are continuing to rise but are rather on the basis of growing reputation for the wines and repeat sales than network contacts. Reputation, or trust in abilities, was therefore critical for the development of James's business in the local area and social capital had been exploited in developing the firm. However, whilst these external ties had aided firm development thus far, the high involvement in the local area resulted in a lack of external ties outside of the local area, which may present an impediment to sales growth in the future, presenting a classic 'weakness' of strong ties. It is anticipated that unless there is a change in ownership, already identified as highly unlikely, this trend of strong tie development will continue as family business founders are recognised as highly influential, influencing the actions of their firms well after their tenure is completed (Anderson et al 2003; Gallo et al 2004; McConaughy 2000; Sharma 2004). It is traits such as these that form a part of the orientation to action of the owner managers. It is therefore necessary to explore further and understand the influences of orientation to action of relationships in order to explain the relations that emerge.

8.6 Factors Affecting Orientation to Action: Mediators of Exchange Relations

Emotional and historical influences were, once again seen to feature highly in all cases, even in those situations where corporate logics dominated practice. Emotional factors were often seen to influence growth and relationship development in subconscious ways whereas historical influences were acted upon often in a more conscious manner, such as the recruitment to the Board of a former Board member's son. In this way, the past experiences of these families have affected how they have made decisions subsequently. Despite this being true with all actors involved in the businesses, the experiences more deeply impacted on some firms than the others. This was especially true in the case of Clifford where the family had diversified into grape growing following an initial period in growing crops. As stated in the introduction to the cases, James

himself admitted that he had grown 'too quickly' in the past. He did not have enough management structures in place to cope with his expansion in the vegetable business and had 'lost touch' with what was happening on the shop floor. I asked him if he was conscious about not repeating the same mistakes:

Oh, absolutely. But, with the grape business it's so much different. I mean you can have so many more acres with so many less people and more machines so you don't need in this massive management group any more. You know. The biggest part of a management is that you need it, wine side because you are dealing with some things here, some technical things way you have to cross the T's and dot the I's. That's not to say that we don't do that in the vineyard but you have to have that structure also in the winery.

Issues had also arisen with the unions and workers' pay when the fruit and vegetable business was in operation. This deeply affected James's mindset and attitude towards employment and employee relations and represents a clear example of how context shapes behaviour. However, as the above data have shown, these more instrumentally orientated decisions have only occurred in very limited terms in the winery business. A combination of these past experiences and more subconscious attitudes have resulted in another constraint on growth for these firms; the apparent reluctance of the family to relinquish control or delegate power. It is to this issue of control that the discussion now turns.

8.7 Conclusions

As was alluded to by Gallo et al (2004) when discussing 'peculiar' financial logic of winery family firms, and suggested above, it becomes clear that these family firms are not only aiming for financial success but also non-economic performance outcomes such as being able to sustain the firm for their children, retain independence or continue tradition (Anderson and Reeb 2003; Sharma et al 1997; Sorenson 1999). This has consequentially informed their orientation to relationships and has meant that the subsequent actions undertaken may not necessarily be synonymous with achieving the business growth goals as articulated by each owning family. From the above we may suggest that where market logics dominate, such as at Windybank, the strive for pecuniary or financial outcomes will supersede the aim of non-financial performance

outcomes, whereas where the family are fully involved in the day to day running of the firm and where family logics dominate, as at Clifford and Abbey farm, the mix of performance aims will be more balanced between financial and non financial outcomes, even if this is not expressly articulated in the business mind of the owner manager when thinking about the future of the firm.

The data presented in this section have also shown that personality traits, along with the non-financial objectives of the owner managers such as retaining tradition, ensuring independence and continuity, are highly significant in informing their orientation to action. Substantive rationality has been shown to exhibited clearly in the personal traits and actions of the owner-managers regarding decisions about growth. This rationality has been shown to, in some instances, result in a constraint on the physical growth of the firms, however this is not to say that employing this type of rationality is negatively related to survival. In fact, it can be positively related to achieving the objectives of family values. Again, practical, social, historical and emotional influences have informed attitudes and abilities towards growth and these influences must therefore be considered when assessing the orientation to action of owner-managers. Regarding research question one about family involvement affects on the business, family involvement is shown to affect growth greatly but in various ways. This is because where a family is more involved in the day-to-day running of the firm, their personality and personal preferences will feature more highly in organisational decision making. The data presented here have shown that where a family is more involved, and family logic dominates, substantive rationality is more forceful and this has a knock-on effect on growth. Where the family is less involved in the day to day running of the firm, their influence is still visible. Whereas when looking at the external relationships that Windybank held, the family influence was minimal and the majority of relationships were instrumentally based, when considering the overall growth objectives of the firm the effect of the family became more apparent; particularly in the ability of the firm to grow through the substantively rational selection of the company Board, something that had created problems for the continued growth of the firm, as reflected in the fluctuation in sales prior to 2007. Therefore, by looking at growth we can assess that even when the family are more distant from the day-to-day running of the firm the fact that they retain overall control in decision-making still has a significant knock-on effect for the ability of the firm to survive and thrive.

Chapter 9

Theoretical Implications

Towards a Framework of Systems of Exchange in Family Owned Firms

9.1 Introduction

The previous three chapters represented the data that were gathered whilst in the field. These data were discussed in three thematic areas; external ties, internal ties and how relationships affected the firms' ability to grow. This was a useful way to frame the data in terms of facilitating a comparison across the different firms that were involved in the study. It was explained in the previous three chapters that whilst a number of findings within the data were anticipated, others such as the vast differences noted from the level of family involvement, and the significance of relationships on growth, emerged as a part of the ongoing time spent in the field. These discussions represented the first level of data interpretation. It is in this chapter that the second level of interpretation occurs, representing a different level of theoretical abstraction. Here, the aim is to conceptualise the empirical findings in terms of the theoretical frameworks as outlined in the literature review.

This chapter is structured around the integration of theoretical frameworks and empirical findings. Chapter 2 identified the Systems of Exchange framework as being an appropriate conceptual tool to facilitate data interpretation and analysis. The following analysis demonstrates that the SoE is highly appropriate to apply to a set of data, however, as Chapter 2 also identified, the SoE typology could benefit from a number of elaborations. Chapter 3 identified some of the developments that could be made to the framework in order for it to be applicable to the study of family firms, including the need to reflect the dynamic nature of ties and the need to further understand how context, social capital and trust can be integrated into our understanding of exchanges. In this chapter, these concepts are integrated with theory and the way in which they can contribute to knowledge of organisation theory is considered. This chapter is

structured as follows; firstly the SoE framework is reviewed from the perspective of data application in its current format of a typology. This includes assessing the nature of relationships and considering levels of analysis. The second part of the chapter develops the extensions for the model, firstly in terms of integrating additional concepts into the framework and then in terms of situating the SoE in context, to account for the mediators of exchange relations. In the third and final part of the chapter a new framework is presented, linking the concepts of social capital, trust and situated logics, in order to help us better understand the nature of relationships in family firms in particular.

9.2 Empirical Application to the SoE Framework

Chapters 2 and 3 introduced the SoE as an holistic framework through which to analyse relationships at both inter and intra-firm level. The typology was shown to progress further than many previous models of social relations by taking into account that people have different understandings of rationality at different points in time and in different situations. In the SoE framework an action is deemed instrumentally rational when an actor aims to consider all possibilities and alternative means whereas substantive rationality is orientated towards values and guided by consequences, where actions may not follow the same 'procedural rigour' as instrumental rationality (Biggart and Delbridge 2004).

The framework was critically analysed in the literature review where it was suggested that although the typology may be a useful tool within which to frame analysis it currently lacked empirical application and, by doing so, its validity could be improved. The data discussion chapters applied concepts presented in the SoE framework in relation to observation and interview material in each of the cases and reflected the applicability of the concepts introduced by the SoE. By analysing the empirical data presented it is possible to improve our understanding of the key constructs of the SoE.

A reminder of the SoE as developed by Biggart and Delbridge (2004) is presented in Figure 9.1 on the following page:

Figure 9.1: Systems of Exchange: Biggart and Delbridge (2004)

		Structure of Social relations	
		UNIVERSALISTIC	PARTICULARISTIC
B a s i s o f a c t i o n	INSTRUMENTAL RATIONALITY (means calculus)	Price System <i>Motivated by profit maximisation</i> <i>Interests in efficiency</i> <i>Motivated by self interest</i>	Associative System <i>Voluntary arrangements of mutual gain</i> <i>System based on reciprocity and governed by social ties</i>
	SUBSTANTIVE RATIONALITY (calculus in relation to an end)	Moral System <i>A shared belief in values</i> <i>Actions orientated to putting in place a value</i> <i>Guided by moral codes</i>	Communal System <i>Actors share an identity or other bond</i> <i>Guided by 'shared norms'</i>

9.2.1 Nature of Relations

The assumption that family firms will always strive for profit maximisation is clearly rejected in the literature analysis. Instead, family firms, and winery owners in particular, were found to not always objectify profit maximisation but also employ other logics in their notions of success. These logics were found to include 'family logic' where decisions based on family interests and values enter business decision-making and shape the structure of social relations as well as corporate logics based on profit maximisation. Moreover, as Chapter 8 demonstrated, even where firms stated their intention for growth their subsequent actions were often contradictory in nature to the attainment of this objective. This was shown to have much to do with the relations in which the firms were engaged. The nature of relations in these firms, therefore, became of critical significance in understanding the actions of the organisations. A number of expectations were formed as a result of assessing current understanding; in Chapter 3 it was anticipated that, with the high level of kin relationships that influence a family firm, they may be characterised as depending on a higher level of particularistic ties than independent entrepreneurs. These contentions held true, and these relationships were found

to create dependencies such as in the associative based relationships between competitors in all three countries. As the data found, however, there were both strengths and inherent drawbacks for the firm of the prevalence of these systems of exchange. On the basis of other work in the area, the literature review also anticipated that family firms may exhibit integrity and commitment to relationships, leading to the suggestion that exchanges based on substantive rationality may be high in these firms.

The data presented in Chapters 6, 7 and 8 exhibited the complex and overlapping nature of ties that each of the businesses held. Instrumental, price based exchanges were found in all cases. In relations with national associations, for example, all firms held price based exchanges and further, with the majority of suppliers in all firms, exchanges tended to be based on simple economic exchange. There were, of course, exceptions to the rule, which was found to depend on prior historical and social interaction (see section 9.4). Instrumental relations were also held with employees but not in all instances, for example, where the family were not present in the daily running of the firm staff felt little loyalty towards the firm or family, leading to feelings of isolation. In turn, these employees did not feel obligated towards the firm, other than to fill their contractual obligations. Here, corporate logic and not family logic dominated decision making. One example of this instrumental rationality, which was often dominated by corporate logic, was when the family exclaimed 'we're not interested in who does it, as long as it gets done'. In this instance the family acted in equal measure towards employees and did not feel protective of their members contrary to the findings of researchers such as Van Auken and Werbel (2006), Dunn (1996) and Lee (2006). On the other hand, where the family were highly active in the firm, despite intentions to the contrary, interactions with staff were not standardised and selection was often made on the basis of recruiting current employees' family members or family friends. The movement towards these associative relations had often been due to the influence of prior social and historical ties. These data enabled an extension of the findings of Van Auken and Werbel (2006) by explaining that although families may feel protective of their members when their participation in the organisation is high, this may not be the case when family involvement is low. This could be explained by the lack of face-to-face interaction meaning that personal or emotional involvement with employees does not develop. Another explanation is that where the family are less frequently involved at the 'shop floor' level,

accountability towards a formal authority is higher and this formality will result in contractual, economic exchanges dominating interactions. Where an external manager is in charge and desires to further their own personal goals, profit maximisation and cost minimisation become of primary importance for achieving performance related pay and emotional involvement in the business is demonstrated to be far lower. This contention would clearly warrant further attention in future empirical research. The influence towards instrumentally rational exchanges was only extended to the relations with whom the family had no jurisdiction; as was the case at Windybank there were many instances where the influence of the family and the Board, through personal ties, meant that the external manager had little control over who became an exchange partner (Chapter 7).

Thus, when the family are active in the firm, there are more links between the economic and social spheres of interaction and this helps us to explain why the levels of associative relations are high in these firms. Jack and Anderson (2002) believe that these types of social bond enable actors to more effectively exploit economic opportunities, where exchanges are not simply networked friends but also systems for making decisions, sharing information and other functions (Lincoln and Miller 1979). The area in which this formation of social and business bonds appeared to have the most impact was in the nature of the collaborative exchanges, evident in all areas studied, where it was found that whilst relationships were instrumentally orientated with the objective of gaining strategic information, they were also particularistic in the sense that a higher level of reciprocity and social ties were expected than would be found in a market exchange. This collaboration was not, however, limited to small firms as previous research suggested (Brown and Butler 1995; Hickton 2004), but encompassed larger firms too (see section 6.6.3). This finding was a clear rejection of Porter's (1980) assumption that firms always compete strenuously with each other for market power. Instead these firms worked with each other to promote their areas and their businesses collaboratively. This method of marketing was shown to have a large impact on grape prices in some areas, such as the Russian River Valley (where Clifford were situated), where there had been a considerable rise on the price of Pinot since the inception of the association.

Brown and Butler (1995) suggested that collaboration was particularly popular with entrepreneurial firms and this research would go further in suggesting that collaboration is also high in firms that are family owned and operated. The data extends a number of other studies by suggesting that the reasoning for the families involvement in these collaborative relations varied, depending on the level of involvement of the family and the logics that were employed in their decision making process. Decisions for involvement were found not to be limited to economic reasons of knowledge and information exchange but also to fulfil social needs such as social support and a sense of belonging. In firms where the family were more highly involved, and family logic was significant in decision making, the desire was to fulfil both personal and business goals, with social interaction being an extremely important factor in these collaborative relations. On the other hand, the impetus from more corporate orientated firms, employing a higher level of corporate, and sometimes market, logics, was more instrumentally rational, focused on gaining business development from these collaborative relations (section 6.6.3).

The development of these relations over time was also significant, with relationships lasting long after their economic benefits had ceased (see 9.3.1). The dynamics of associations were shown to alter and develop at industry level; whilst the collaboration would be formed on communal relationships, it developed over time towards instrumental rationality and orientated towards strategic goals, with the addition of more firms (Chapter 6). This was particularly interesting because other discussions have suggested movements in the opposite direction. However, whilst the dynamics of the association changed it was significant that collaboration still occurred when the industry grew. Brown and Butler (1995) conducted their study at a time when the industry was in its infancy in Sonoma and associations were small, so it could be questioned as to whether collaborative relationships still dominated exchanges but the data gathered suggest that these collaborations were still very much active, although relations were now more formalised (see 9.3.1). These data enable us to expand our knowledge of the nature of collaboration by suggesting that when the target market is geographically local (and tourism important in the country), or relies on people calling into the area, instances of collaboration will be high in all size of firms whereas when the market is limited locally and the main target market is export market then collaboration is likely to be limited to smaller firms who work together as allies in the face of competition from larger firms.

The level of interaction in these collaborative relations varied depending on the logics that were employed in the decision making of the business. The findings demonstrate that all companies had one local association with whom they interacted on a regular basis and with whom they had developed social ties and knowledge exchange. A number of selection criteria explained the formation of associative relations. With regards to local associations this may be explained by a similarity or sharing of personality traits, prior interaction with association members and geographic location, with personal preference of the owner manager driving the development towards associative relations. These factors were suggested by the data, however, traits were not empirically examined and, therefore, further research would be required to develop this explanation. The benefit of increased reciprocity and trust, combined with the cost of searching for a new partner, meant that these relationships were looked upon as one of longevity. The advantages associated with these relations were not always limited to financial returns but increased peace of mind and personal satisfaction was often expressed by the owner-managers. Once again, these factors in selection are less applicable to those firms with a corporate orientation, where selection was found to be more instrumentally orientated. Selection of a dominant association exchange is therefore explained by the dominance of logics and the presence of an organisation figurehead who has the ability to discriminate upon particularistic criteria.

As Chapter 8 reflected, associative relations also resulted in constraints upon the growth ability of the firms by impacting upon decisions that were taken by the owner manager. For example, conflicts of interest were frequently described by shop floor employees at Windybank Wines as resulting in poor decision making being taken, such as a disastrous re-branding programme, developed by the Board (Chapter 8). Even in situations where corporate logics dominated practice and price based exchanges were prevalent, a smaller number of particularistic exchanges were substantially more influential on business decision making outcomes than universalistic ones. This could be explained by the levels of trust in these particularistic relations, interpersonal trust being valued more highly than institutional trust. For example, the Board at Windybank were selected on the basis of substantive rationality being entrusted to act in the best interests of the family, even if these perceived actions were not

enacted in practice. It indicates that researchers should not treat numerical instances of exchanges as equating to influences on outcomes and suggests that Fuller and Lewis' (2002) contention that firms have one dominant orientation to action as misleading. The analysis shows that there is not one, but many orientation to action, so the SoE becomes critical in reflecting the different dimensions of these relations.

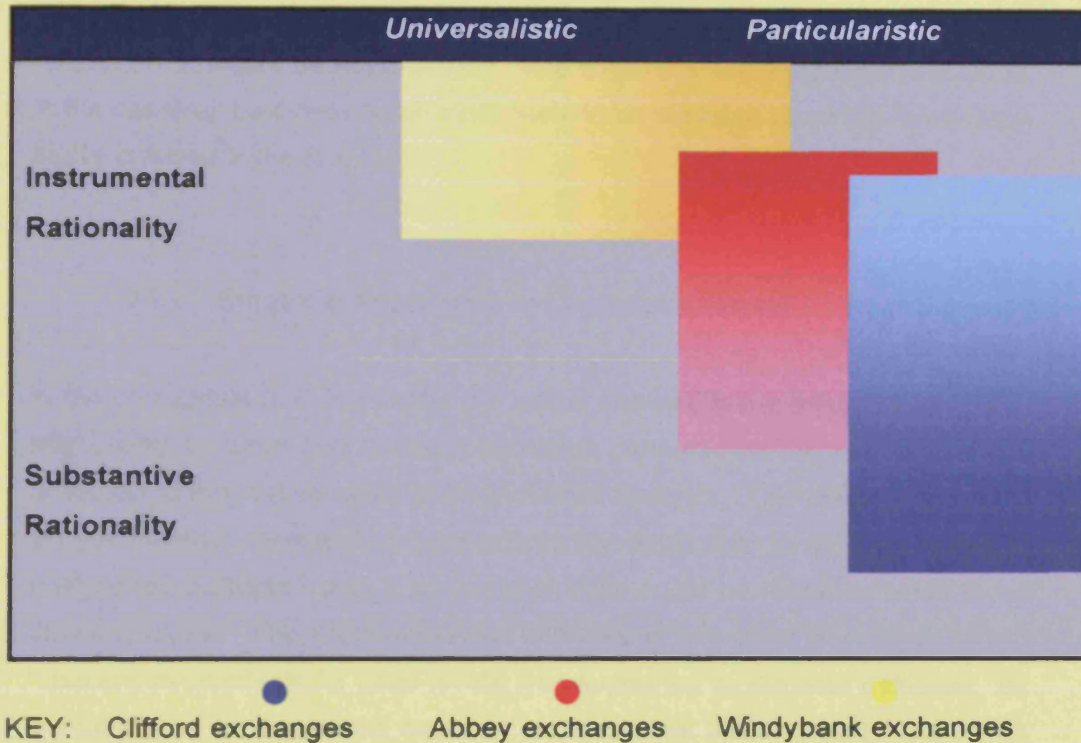
Examples of substantively rational systems of exchange were exhibited in ties with kin and extended family. Kinship relations provide the strongest ties (Anderson et al 2005), exhibiting characteristics of commitment, tacit knowledge and willingness for the business to succeed. In this study, the characteristics of kin relations as described by Anderson et al (2005) were not limited to kinship ties but also to notions of extended family such as in the case of long standing employees whose opinions were often held in high regard and valued over that of short term employees, although this had created problems and was not always viewed favourably by other employees (Chapter 7). This is consistent with the work of Edwards et al (2006) who state that the more particularistic in nature the firm is, the more it will give privileges to some workers that it does not give to others. Chapter 3 suggested that family firms would exhibit a tension between instrumental and substantive rationalities in their dealings with exchange partners. Communal ties were more visible in the businesses where family involvement was high. It was difficult to find examples of communal exchanges when the family were not directly involved in an activity. But, as the previous section noted, their interaction was not always entirely altruistic but depended on the content of the association and whether or not they were emotionally influenced by this subject. For example, where the content was purely agricultural the chances that the relationship being communal was increased, due to the strong feeling of identity with that community. Where the content of the exchange was winery related, exchanging information and knowledge, the exchange tended to be associative as the reasoning for participation was instrumental, to further the interests of the business (although these associations still provided an important source of social support). The data indicate that less instrumentally rational decision making may apply to some considerations of community for family firm owners who will often consider key community as extended family. This reaffirms the likelihood of communal exchanges when historical and emotional influences act as mediators of exchange relations (see section 9.4).

The analysis suggests that the systems of exchange do not exist independently of one another but a high level of overlapping occurs between instrumental and substantive rationalities. This was ever changing and is reflected in both revised models (see figures 9.1 and 9.3). Relations with the local community were poignant examples of where orientation to action shifted between instrumental and substantive rationalities, where the family were highly emotionally attached to the local area. Here, the level of interaction with the community was found to depend on the number of relationships the family held in the local area and provided an important source of knowledge for the family. The commitment that the owner managers demonstrated to the local community was high, however, it did not always result in benefits for the firm and, in some instances, autonomy was lost through high levels of dependency that had developed between the actors (Chapter 6). Previous research concluded that close relations were maintained with those customers who could support the firm in times of trouble (Das and Teng 1998; Gomez-Mejia et al 2001). These data further suggest that close relations are also held with those that are able to benefit the community, not just the business. These close relations may be explained by family orientation leading to the employment of reciprocal altruism (Chapter 3), where philanthropic activities are high and participation is enacted due to the desire to improve the community in which the family and business are situated.

Mulholland (1997) describes this overlap as a 'fusion' of substantive and instrumental rationalities. The data presented here suggest that this overlap is not so much a 'fusion' as a dynamic *tension* existing between the two rationalities, which has often been the result of a deliberation of family and corporate logics. To demonstrate, the instances of substantive rationality were high in relationships with the community, where tensions existed between normative considerations and economic pressures. These data add to our understanding of competing rationalities by suggesting that substantive rationalities play a highly influential role in the selection and retention of network partners in family firms. The tension between instrumental and substantive rationalities was found to be more prevalent in those businesses where the family were highly involved in their running and family logics dominated decision-making. The tension was less for the instance where the family were less involved in the firm and a corporate manager instigated many exchanges but the nature of the relations did exhibit substantively rational characteristics in the selection of some key partners, where the family retained prior historical ties.

These will be further discussed in section 9.6 and 9.7. In figure 9.1 we can conceptually represent how the differences in nature of exchanges in firms can be applied to the SoE framework.

Figure 9.2: A conceptual representation of dominant interaction of the companies with the local community¹



From the data analysis above we are able to suggest a number of explanations about the social structure of relations of family firms. Firstly, particularistic ties were more visible in firms where family involvement was high but, even in the firms that family involvement was limited, cases of particularistic, associative relations still had a significant effect on the business activities of the firms. Their effect on growth was particularly significant. In these particularistic ties, associative relationships dominated exchanges with suppliers, competitors, employees and local associations whilst communal exchanges were visible in

¹ This figure is conceptually representing the level and dispersion of exchanges in the firms as illustration to reflect where the portfolio of exchanges lies, and not as a direct numerical representation. It highlights that we must not take exchanges represented in this way at face value as this does not take account the influence of each exchange relation.

exchanges with the local community, kin relations and other agricultural associations, where emotional and historical influences acted as mediators in the orientation to the exchange. As section 9.5.3 will demonstrate, these orientations can differ from one actor in the relationship to the other. It was also concluded that the level of universalistic relationships was higher when the export market was the target market. These ties were characterised by less frequent interaction but were not necessarily less in duration than other particularistic ties. Where the target market of sales was more local, associative, collaborative relationships were highly visible in exchange and often influenced business decision-making. The target market being local was found, in the cases studied here, to be more likely to be the case when the family were highly involved in the firm.

9.2.2 Empirical Application to Levels of Analysis

In the conceptual SoE framework the unit of analysis is the nature of the social relationship between and amongst exchange partners, but the level of analysis is subject to the requirements of the individual analysis. This research aimed to assess whether the typology was empirically applicable to different levels of analysis as purported and, if so, whether links could be made between these different levels. The anticipation that changes at one level of analysis would have knock-on effects for other levels, was supported by the data gathered. By illustration, whilst there had been an industry level trend towards short term contracts, at individual level the firms had acted differently (the Australian firm increasingly pursued a price based arms length exchange whilst the American case maintained their pursuit of close relations with key buyers), this difference of orientation at firm level could have been attributed to differences in cultures or country specific industry dynamics, had the higher level of analysis not been considered. The difference was, in fact, attributed to the fact that when the owner managers were involved in relations with the buyers they envisaged an ongoing relationship well into the future, whereas a CEO was in charge, short term relations were prioritised over investing in long term interactions due to the short term tenure of the CEO. It was necessary to examine the micro levels of exchange in order to explain how changes at the macro level affect these firms. Family businesses with a high level of family involvement may be less

susceptible to changes at macro level. The effect of this may be two fold- on the one hand positive as they are less susceptible to shocks in the external environment but, at the same time, this can lead, therefore to accusations of them being unresponsive, as particularistic exchanges can mean that family firms struggle to keep up with the changing environment (Heinerth and Kessler 2006).

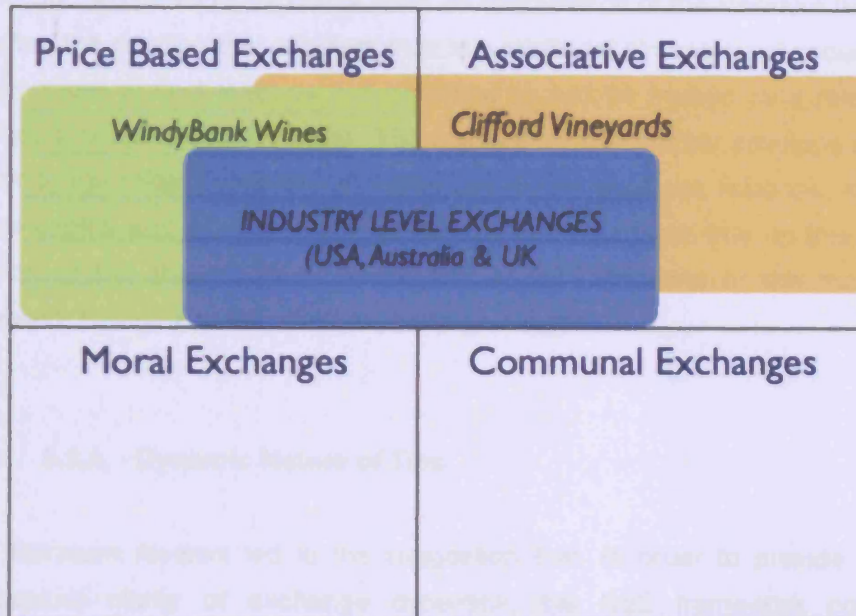
Linking levels of analysis highlights commonalities as well as differences between the firms. In America there was a trend at the macro level towards a divide in the areas of Sonoma and Napa Valley with Sonoma promoting itself on the basis of being friendly, approachable and with discourses of farming, pitching itself against its corporate sibling Napa (Chapter 6). Secondary data combined with first hand evidence gathered in interviews with wineries in both areas indicated the presence of fewer particularistic ties and more universalistic ties in the portfolios of Napa companies, explained by a number of factors, firstly, the higher number of corporate run businesses in this area whose managers do not have the authority to be particularistic in their relationship adoption, as is the possibility when there is no divorce of ownership and control (Chapter 5) (this finding is, of course, only tentative and would require further exploration to confirm this conclusion). And related to this reason, secondly, Napa developed purposefully into wine whereas Sonoma developed into wine through agricultural diversification, and many of these wineries remained small and family owned. Therefore, at the micro organisation and individual level the firms with a high level of particularistic ties in the winery and agricultural communities can be explained by the high level of family owned businesses, with a family orientation likely amongst farming businesses (Katila 2002).

Connections at the interpersonal and interorganisational levels of analysis were found to be particularly prevalent when the families themselves were the key actors in interorganisation communication. Chapter 6 used the examples of collaborative relations to show that the collaborative nature of individuals led to collaboration within firms. This finding is supported by other studies from Brass et al (2004) and Reay and Hinings (2007). Furthermore, although firms aimed to grow, the fear of losing control on a personal level impacted on the nature of relationships that were eventually enacted with other firms (see Chapter 8). This research furthers the explanation of these other studies by highlighting the importance of the personality of the owner manager. This also illustrates how

the actions of the family firms cannot be understood without understanding the dynamics of a family as a whole as well as individuals. The high impact of individuals' personalities on the micro dynamics of exchanges in the firm was shown in each data chapter particularly when it came to actions regarding growth (Chapter 8) where, in many cases, the objectives of the firm were contrary to the actions that were subsequently taken by the individuals. This again explains how the level of family involvement affects business decision making; where family involvement is high the individual influence can be higher on inter organisation exchanges whereas when the family are less directly involved in the running of the firm there is less of an influence between the individual and inter organisation levels of analysis, explained again by the fact that corporate managers do not have the ability to be particularistic in their decision making as owner-managers did.

The ability to examine differing levels of analysis also enabled differences to be observed between the industry and case level. It was well documented in Chapter 6 that although Windybank did not engage in collaborative relationships in their local area, it was not that they did not exist in the same form as they were found to in the US or UK, simply that this organisation consciously chose not to get involved with this association. This highlighted a significant characteristic of the actions of the individual organisation and not a difference in culture, whose decision to not participate in the association was instrumental and based on the fact that their target market was based external to the local area and they were not interested in building up the reputation of the whole area, simply of their own brand. Figure 9.3 on the following page reflects this comparison clearly:

Figure 9.3: Comparing Levels of Analysis.
Representation of Exchanges with the Winery Community



We can clearly visualise from this table, that there are differences between the organisation level patterns of exchange and the industry pattern of exchange, as described above. The visual representation facilitates ease of comparison and prompts further exploration in to the reasoning behind these differing exchanges. Clearly, the SoE framework is actionable at all levels of analysis; enabling identification of both connections between micro and macro levels of analysis and also highlighting where differences lie between industry and organisation levels, adding to our knowledge of the reasoning behind these differences in exchange relations.

9.3 Theoretical Extensions to the Systems of Exchange

In addition to assessing the empirical applicability of the SoE to the nature and orientation to action of relationships, chapters 2 and 3 identified a number of areas in which the SoE could be developed. These elaborations included the need for the framework to reflect the dynamic nature of ties; the framework appeared static and cross sectional and there was suggested to be scope for

elaboration through how exchanges develop towards a particularistic base. Secondly, although the framework viewed context as significant, it did not yet add to knowledge on how context shaped behaviours in each of the arenas of exchange. Thirdly, the concepts of social capital and trust were treated as one in the SoE framework. Whereas, from an examination of the literature this study adopted the position that although trust is a relational dimension of social capital it has many distinct features and therefore should be treated as a related but distinct concept to social capital. The final part of the chapter develops a model which is specifically targeted at explaining family business relations, of which social capital and trust emerged as key concepts. Before that, in this second section of the thesis the proposed theoretical extensions to the model are reviewed, before a revised SoE model is presented.

9.3.1 Dynamic Nature of Ties

The literature reviews led to the suggestion that, in order to provide greater conceptual clarity of exchange dynamics, the SoE framework could be developed by further investigating the changing nature of ties. This led to the formation of research objective four which was to suggest the ways in which exchanges may develop and alter over time towards associative arenas of exchange based on instrumentality and away from relations based on substantive rationality. The literature that existed in the area of tie dynamics, although plentiful, provided little consensus as to the direction of relationship development. This confusion was exaggerated when the variable of family ownership was introduced. Whilst it was suggested by many authors that relationships develop from universalistic orientations towards social relationships based on higher levels of trust and reciprocity, constituting associative arenas of exchange (Mariotti and Delbridge 2007; Oh et al 2004), some others believe that it is more likely social relations develop into a means of doing business (Fuller and Lewis 2002) than the other way around.

Evidence was found to support both propositions concerning the dynamic nature of relationships in family firms. It was found that, in many instances social actions developed as time in the relationship progressed and during increased interaction, social elements to the relationship emerged. The data suggested

that this development occurred from increasing personal interactions such as problem solving and knowledge exchange with, for example, competitors, consistent with the suggestion from Mariotti and Delbridge (2007) that 'exchange relationships grow through an accreditation process which makes then increasingly structured. This creates a system of social relations based purely on greater trust, reciprocity and mutual understanding that transcends purely economic motivations' (p6). The progression of relationships were not always the result of subconscious development, however, but were sometimes actively pursued, for example in James's case, to increase feelings of mutual obligation and reciprocity in relationships (Chapter 6), with the development of social capital leading to increased stability in the exchange through the building of interpersonal trust. This conscious strategising was particularly notable where the relationship was regarded as having a benefit into the long term. This long term outlook may explain why this strategising was more common with owners managers who had a long term vision, as opposed to the short term outlook adopted by the corporate CEO.

The development towards particularistic relations did not always emerge. In many instances relations were friendly and long term but maintained a universalistic structure based on economic exchange (Chapter 6). Much of the explanation of whether particularistic bases emerged in a relationship depended on a) the ability of the relationship to create and sustain value (Nahapiet and Ghoshal 1998), and how easily they were replicated, and b) the mediators of exchange relations (as discussed further in section 9.4), including, but not limited to prior historical interaction. This development was also more likely when actors had similar personalities or there were other similarities such as being the same geographic locality, in the same associations or groups, or sharing other network connections with an exchange partner. Furthermore, contrary to the suggestion of Baker et al (1998) and Burt (2000), the regularity of the exchange did not always mean that ties decreased in strength if relationships decreased in frequency. There were examples of where friendships and kin relations were inactive for long periods of time but did not lose strength (Chapter 7). As Jack and Anderson (2002) highlight, social embeddedness may enable access to latent resources, this may include resources provided by kin. Family ties remain 'virtual' members of the firm and can be brought in as business resources at any point in time. This may also help to explain why families may feel obligated to employ family and friends into

the organisation because if they failed to do so then they were fearful that this may constitute a breach of relationship norms.

Furthering prior research, the data gathered enabled the elaboration of the understanding of the nature of relationship development within particularistic systems of exchange. This included explaining instances of dynamics moving from communal towards associative exchanges. It became clear that despite the level of family involvement there were instances of communal relations becoming business exchanges over time (Chapter 6, 7 and 8). Fuller and Lewis (2002) argue that the multiplex nature of relations aids the development of casual and natural relationships into a means of doing business. This development was explained by the nature of family involvement, not the frequency of it; where the family had direct interaction with an exchange partner, the changes of developing social relations into business resources increased. With regards to internal relations (Chapter 7), it was found that where workers entered the organisation from prior historical involvement with the family, relations were more likely to move towards associative exchanges whereas this development towards particularistic relations was not guaranteed for employees with whom the family had no previous ties (Chapter 7). These ties enabled resources and expectations from an existing relationship to be engaged in a new relationship. Prior social ties were not just influential during the start up phase for these firms but in periods of growth too where resources were needed quickly, and actors wanted to bring someone that they could instantly trust into the organisation. The more frequent moves within the communal system of exchange towards developing a higher level of corporate logic may be explained by the variable of family ownership, where the higher levels of direct family involvement leads to a greater level of social ties being allowed to influence business decisions.

The explanation for observing a higher level of communal towards associative relations in these family owned firms was also supported at industry level. The shifting dynamics at the Pemberton Wine Association illustrated this (Chapter 6). The association commenced with a small, informal group who shared ideas, exchanged information and worked together on problem solving, based on the substantive value of working together for survival. However, more recently, with the influx of corporate firms into the area the association had become more formal and the scope of their organisation was now wider, to work as a

marketing mechanism to promote the area. This was not to say that moral support and social interaction had become unimportant, simply that the logic or rationale of the association had changed and was now based on the instrumental logic of working together to create a market presence, rendering previous practices unfeasible. Established relations had not become weaker but have been diluted by the emergence of new actors. This example could help to explain the developments that may be seen in the UK Associations in the future; when the number of wineries entering the market becomes too large to maintain close social interaction, and strategic desires take over the need for moral support. At this level a move towards associative system of exchange from a communal basis had clearly taken place.

The dynamic development within particularistic systems of exchange from social towards business relationships also affected the duration / latency of relations in times of difficulty. Where this development occurred, actors were seen trying to work through their relationships difficulties rather than terminating the exchange. For example, in the relationship between Will GD and James Clifford (chapters 6 and 8). Will GD also exhibited problems with a contractor with whom he maintained personal ties as well as business relations (Chapter 6). In these cases although social ties governed the business relationship, it became emotional when the exchange did not work as it should. This was different than ties that retained an economic base where ties became latent with a change in management (see 6.6.1). These data suggest that when relations have higher affective elements, and business relations commence from a previously social relation, actors work through their difficulties and there is a higher likelihood of the exchange relation continuing than where there is a reliance on formal procedures, as in a universalistic orientation where ties may become latent if a relationship runs into difficulties. In support of Ring and Van de Ven (1994) and other authors referred to in the literature evaluation, reliance on formal procedures and weak social relations may undermine the viability of relationships. Whilst this finding may provide some support the contention of Granovetter (1973) that there is a continuum of tie strength this research is able to clearly add to the work of Granovetter in further understanding the dynamic nature of ties. In particular for these family firms, it was clearly documented how relations did not simply become stronger connections due to business exchanges increasing in frequency and developing social ties but also they

developed from social exchanges and increasingly featured higher levels of corporate logic over time.

Social capital was highly significant in explaining how these previously social relationships developed into business resources. The employment of family and family friends in the organisations was one example of where social capital had been transferred from one situation into another (Chapter 7). From this analysis it is possible to suggest that in family firms that exhibit high levels of social capital, instances of relationships developing from social relations exhibiting increasing levels of corporate logic, relations may be higher than is found in corporate firms where kin relations and levels of affective social capital are not as high due to the fact that professional managers may find it difficult to bring in actors from their personal friendship network from fear of being viewed as favouritism (Carney 2005). This increasing level of corporate logic may, therefore, be partially explained by the high level of social capital in a relationship.

The above evidence suggests that as relations become more embedded the chances of network partners becoming multiple resource contacts increases (Johannisson et al 1994; Oh et al 2004), whether that be business towards social relationships or social towards business relationships. Support was found relationships developing in both directions, although more instances of relationships developing from communal exchanges into associative exchanges were found than vice versa which led to the suggestion that developments from social into business relations were more likely to be found in family owned businesses due to the dominance of particularistic ties and the ability to frequently discriminate on particularistic criteria, and this will increase as the level of family orientation increases. The framework recognises that rationality is a constantly changing phenomenon and therefore dynamic relations are anticipated but, with kin and extended family ties, trust and understanding already exist in high measure and therefore economic motivations are able to transcend and develop through the increased use of corporate logics. As the data discussion chapters demonstrated, during this development tensions are visible between instrumental and substantive rationalities and institutional logics compete with one another for dominance. And, whilst there is support for the contention that relationships can move from associative towards communal systems and, conversely, from communal towards associative based systems of

exchange, there was no evidence found to show a move from associative to price based relations without the tie becoming latent. The analysis demonstrates support for the need to develop the systems of exchange framework to reflect the dynamic nature of exchanges, to view exchanges as static could be misleading.

9.3.2 Asymmetrical Relationships

Throughout the period of research it became noticeable that exchanges were not always entered into from the same orientation by the individual actors that were involved. Asymmetrical relations showed themselves in two ways; firstly in the form of differing orientations and secondly, representing the multiplex and overlapping systems of exchange in a relation. Instances of these differing orientations were exhibited with a number of actors, including suppliers at Clifford, many of whom were selected on particularistic criteria on behalf of the customer (due to feelings of obligations), but were universalistic price based exchanges on behalf of the supplier. This often reflected the paternalistic nature of the actor and also reflected that it was not only instrumental rationality employed in the selection of a supplier but substantive values too, with one partner in the relation holding a different orientation than the other actor. Social capital had been important in influencing the move towards a business, associative relationship but the structure of social relations had been heavily influenced by social, historical and emotional factors. As James's other employees has mentioned 'wine is second and friendship is first in a lot of ways' (Charlie, Clifford Vineyard). In interviewing a supplier it was found that although this actor spoke highly of James, his reasoning for supplying the organisation was a simple business transaction, orientated to upon an entirely universalistic base. He was happy with the arrangement but was not influenced by historical or emotional mediators in his choice to supply. This relation could therefore be described as asymmetrical; one actor being influenced by particularistic social relations, and the exchange partner influenced purely by instrumental, universalistic orientation. Other examples of this differing orientation (reflected in Chapter 7), included the choice to employ family and extended family members in the organisation. An example of these differing orientations is represented in the figures that follow:

Figure 9.4: Representation of asymmetrical orientations to relations. The Example of Internal Relations

A. USA: Clifford Vineyards

<p>Price Based Exchanges</p>	<p>Associative Exchanges</p> <p><i>Orientation to exchange of Owning Family towards employees</i></p>
<p>Moral Exchanges</p>	<p>Communal Exchanges</p>

orientation to exchange of EMPLOYEES

B: Windybank Wines

<p>Price Based Exchanges</p> <p><i>Orientation of the Family towards EMPLOYEES</i></p> <p><i>orientation to exchange of EMPLOYEES</i></p>	<p>Associative Exchanges</p>
<p>Moral Exchanges</p>	<p>Communal Exchanges</p> <p><i>Orientation of the Family towards BOARD members</i></p>

These decisions were orientated, by those brought into the organisation, on an instrumental base of money for work, but on the behalf of the family it was a substantive rationality, they did not necessarily need these individuals in the firm but employed them as they wished to desire to maintain social relations. Further differing orientations in internal relations were apparent at Windybank Wines where although some employees desired to have a relationship with the family and feel valued, the family were purely universalistic in their engagement with employees. Significantly, there were instances where a 'faux particularistic' relation had been established; this was exhibited in the relation between WIVA and Windybank Wines where although the organisation were being purely instrumental in their orientation to this relationship, they knew that the WIVA representative was being particularistic in her favouritism towards the firm, due to emotional reasons for attachment to the area in which they were based (Chapter 6).

Secondly, further to the need for the revised SoE model to reflect the differing orientations that partners may have in exchange, there were also overlaps and combinations of the systems of exchange within relations. Although the SOE allows for the assessment of the primary characteristic of ties, it does not reflect overlaps in the exchanges. The exchange between Penny and James Clifford exhibited this overlapping nature of exchange; Penny was nowadays more of a reluctant participant in the organisation, she put family values first and did not desire to have an increased role in the firm however her husband desired her to get more involved as he did not want to delegate management jobs to someone from outside the family. Chapter 7 discussed that in both the UK and US cases the women owner managers continued to be highly involved in the organisation due to the desires of their husbands so, if required, they would be able to continue to run the firm. They did this partly due to the kinship ties she had in the firm, a communal base of exchange, but also due to feelings of love and obligation to pursue the values of their husbands, clear overlaps with the moral system of exchange; their actions, at different points in time, could be described as either. Despite not being anticipated at the beginning of the research, this noted opportunity for this overlap in nature of exchanges, along with the acceptance of actors having differing orientations, will therefore be reflected in the revised SoE model.

9.4 Mediators of Exchange Relations

One of the merits of the SoE typology lies in its ability to examine different contexts of behaviour, recognising that different actors have different understandings of rationality at different points in time and in different situations (Biggart and Delbridge (2004) thus enabling it to be more explanatory than previous studies. However, whilst many authors in network theory have noted that exchange relations are both socially and culturally embedded (Mariotti and Delbridge 2007) there have been few investigations into the specific origins of such exchanges. And, whilst this was not the original aim of this research, factors emerged as important in influencing the orientation to action of exchanges, which were found to be crucial in analysing and assessing the characteristics and impacts of such exchanges. The findings presented throughout the data discussion chapters have shown that history is a significantly influential in how exchanges are conducted. History, however, is not the only important contextual influence in exchange. Other factors that emerged as significant were; practical, social and emotional influences. These can be described as a part of context which together can be termed the 'mediators' of exchange relations. Although these factors were applicable to all levels of analysis, the point at which the research was focused, the individual and organisation level, they were particularly notable.

Firstly, practical factors influenced the nature of social relations. The illustrative example of the collaborative relations is also used to show that practical forces could limit the ability to act in a particularistic manner towards exchange partners (see chapter 6.6), such as the geographic location of the business, or the physical distance of the family from the business. Practical factors were also a forceful influence in other relationships that had developed. James, for example, had established many contacts regarding suppliers himself over a long period of time which had developed into social ties, necessitating his personal involvement for the benefits of social capital to be continually realised².

Secondly, social influences acted as mediators of relationship orientation. As explained in the previous section, where there were high levels of social facets

² The data gathered which demonstrated these practical influences were limited in direct field observation and, therefore, further research is required in order to demonstrate the scope and role of these features.

found in relationships, the likelihood of being particularistic in structure increased. These influences were reflected in the decisions in the firms to bring in friends of the family and employ them as staff members. Had it not been for these social influences, these relations may not have merged into business resources, and individuals may not have been selected for a job. Social forces were, therefore, significant in assessing the overall portfolio of ties of a company; where there were increased levels of social ties, the dominance of particularistic orientation to action was more probable. This finding suggests that as visibility of the family increases, in any area, the level of social influences increase and the orientation to relationship will be increasingly particularistic. This may also suggest that as visibility of the family increases, increasing levels of family logic may be visible in relations that were previously universalistic in nature. At industry level, social contexts were found to provide the environment in which economic action was situated through the use of growers associations in the US case and, to a lesser extent due to limited opportunity (practical factors), in the UK.

History has been commonly cited as vitally important in understanding the character of exchanges (Larson 1992; Larson and Starr 1993) and much of the past network research has been criticised for not taking into account the history of ties in analysing exchanges (Granovetter 1985; Lie 1997) when, in fact, the history of relationships is central to Powell's (1990) concept of the network organisation. Past experiences were shown to provide context as to decisions that were being made in the present. When it came to the sense of attachment that the families felt to their business, historical influences were extremely evident. None of the families had the intention of selling their land, even where the owners were not in daily contact with the area the land had been in their family for generations and they intended to keep it that way. As the level of historical influence increased the sense of attachment to the area increased, the identity with the land increased and the likelihood of selling decreased. Emotional attachment appears to rise in conjunction with this process. So, history encourages emotional attachment that, in turn, appears to encourage substantive rationality as the orientation to action. History also had an important role at Windybank Wines where Board members were composed of friends that ran back for generations, some even having inherited their position on the Board (Chapter 7). In this instance, as in many others, owner managers found it problematic to discontinue a relationship (as identified in the previous section)

after it had a lengthy history, regardless of whether it was still working for them or not. Historical context was significant in these family firms that held a large number of particularistic, friendship ties. As Johannisson and Monsted (1997) notes, friendship can either have a long or short history but is expected to continue forever and therefore characteristics of relationships will be observed so as to continue the relationship. The level of embeddedness of the family in the business was also influenced by historical factors, suggesting that practical and historical factors will be more influential on subsequent internal relationships that develop in the family-out scenario than in the family-in scenario (Birley 2001), where the full involvement of the family means that social and emotional factors increase.

Finally, emotional influences were intertwined with historical influences. These were found to significantly affect orientation to action, especially those instances where substantive rationality was influential. As stated, all the families felt a sense of emotional attachment to their land even where emotional commitment to the community varied upon levels of family interaction. This emotional attachment to the land has been found to influence logics in a number of ways. The involvement of emotions of the family had resulted in situations of competing logics, particularly where the level of family involvement was high. In the US, for example, Penny felt considerable emotional ties to people in the organisation, to family, to extended family and to long-term workers in the firm, resulting in their inclusion in the decision making, despite articulating a conscious desire to pursue a corporate logic in decision making at the firm (Chapter 7). In support of the findings of Murray (2002) this research concludes that emotional dynamics have the dual affect of accelerating and sometimes slowing down the decision making process. Consequently, emotional influences were shown to hold a direct link to the development of social capital. As cited in the analysis of asymmetrical relations, on occasions owner managers had strategically pursued emotional involvement into their relationships in order to retain ongoing relations with a network actor.

Understanding the influences that these mediators hold can help to explain research objective three; to consider the effects of the local community and context on the relationships that were observed. For example, where the participation of the family was high so too were notions of obligation and reciprocity. This could be explained as follows; where there is a high level of

social ties combined with historical presence, emotional attachment increases which leads to increased feelings of obligation to act in a philanthropic manner towards to local community. This means that although community is important to some family firms where these conditions arise, it is not important to all; where participation of the family in the business is low the sense of disengagement increases, social interactions with the community are significantly reduced and the level of obligation decreases, leading to a higher level of price based exchanges and a higher likelihood that the local community will not significantly affect the outcomes of business decision making.

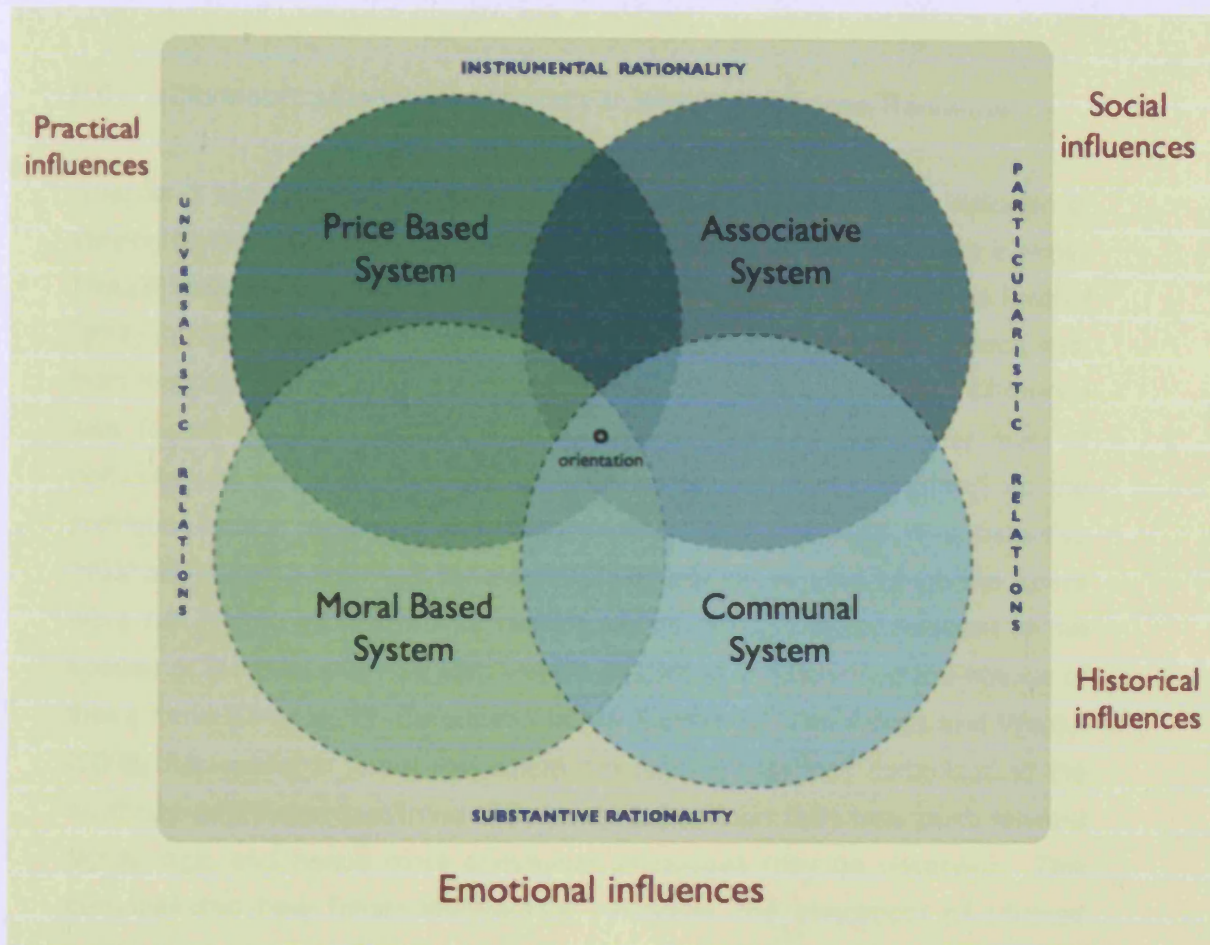
The identification of these influences to orientation has built on the work of Larson (1992) and a number of other network scholars, by suggesting that it is not only history that provides the initiation for exchange relationships but a number of other influences (social, practical and emotional), the balance of which can affect the orientation to action of an exchange. The findings here can lead to a number of explanations being developed regarding influences on the nature of relations that emerge. Firstly, the examples both here and throughout the previous three chapters, have demonstrated that when relationships are largely influenced by emotional and historical factors, the chance that they will become communal based exchanges is increased. Secondly, where relationships are largely influenced by social and historical factors the likelihood of particularistic relations increase. This also adds to research objective two which was to further distinguish between particularistic orientations. One way in which we may be able to do this is to suggest that although history will be important in both forms of exchange, the higher the level of emotional influences, the more likely it is that the exchange will be of a communal nature. By analysing the influence of these mediators we are also able to add to the work that is progressing in the area of institutionalised logics. As explained in Chapter 3, and expanded upon in the above, the idea of situating logics in their context, as suggested by Mutch et al (2006) has clearly been empirically supported in this instance. By identifying the developing logics it has helped to further understand and anticipate the dynamic nature of exchange relations. It is suggested that, as a result of the support for this new concept, further research is required in a larger number of diverse organisational groups in order to develop to further understand and compare the implications that these situated logics hold for the duration of exchanges.

9.5 Presenting a Revised SoE Framework

The above analysis has shown the applicability of the SoE to an empirical setting as well as developing explanations for conceptual developments of the framework. In terms of empirical applicability, the analysis supports the contention of the conceptual framework that the SoE operates at all levels of analysis. Applying empirical data has enabled links to be made between the various levels, explaining why one phenomenon occurring at the micro organisation level has been affected by changes at the macro, industry level. The model was also shown to lend itself to a useful analysis of the nature of relationships and the notion of competing rationalities were shown to be fruitful in understanding further the nature of family firm relationships in particular. The data showed that particularistic relations influenced exchanges in firms where family involvement was high and family orientation dominated decision making, whereas universalistic relations were prevalent in family firms where family influence was low and corporate logics dominated decision making. This notion of competing logics is further examined in section 9.6.1

The analysis lends support to the development of the model in a variety of ways. Firstly, the data have demonstrated the need to reflect the multiplex, potential asymmetrical nature of relations that may be present in an exchange relation. This was related to the second extension, the requirement for the SoE to reflect the dynamic nature of exchanges. Chapter 6 introduced the debate about ties being neither strictly internal nor external to the business activity of the firms and this analysis further highlights the need for more overlaps between the systems of exchange to be reflected in the revised framework. These dynamics were influenced by the third proposed elaboration, the contextual mediators of exchange relations. These were found to go beyond the influence of environmental and historical influences but extended to four mediators; Practical, Social, Historical and Emotional. Emotional and historical influences were found to be especially important in situations where the agricultural heart of a community, suggesting that there will be a larger number of substantively rational exchanges found within agricultural communities. These proposed extensions are reflected in a revised SoE model in Figure 9.5:

Figure 9.5: The Revised SoE Framework



This revised model may add to our understanding of exchanges within and between organisations. It is hoped that future research can apply this revised model to other types of firms to develop our knowledge of their operations further and to fully understand the impact of differing portfolios of exchanges on firms' activities (developed in Chapter 10). As stated in the introduction to this chapter, there are additional concepts that the data highlighted as being especially prevalent to the study of family firms in particular. Two of these concepts, social capital and trust, were reviewed in the literature reviews but another emerged as intricately linked with these concepts throughout the data analysis, that of situated logics. The final part of this analysis chapter develops a new model of family business relations, integrating these three into one framework to help explain how the actions of family firms can only be understood when considering the relationships in which they are engaged. The

following section will review each of these concepts in turn before the new model is presented and explained.

9.6 Developing Concepts of Family Business Exchange Relations

Chapter 3 highlighted a number of proponents who advocated the inclusion of varying levels of family involvement when considering what constitutes a family firm. Research objective one aimed to add to our knowledge of how this level of family involvement would impact upon systems of exchange in family firms and, from the data presented in the previous three chapters, a significant difference was found, the most significant of which was found in the higher level of particularistic relations when family involvement was high. Further, as the previous section noted, it was uncommon to find instances of substantive rationality forming the basis for external relationships in firms where the family were not highly involved in the running of the firm. The involvement of the spouse in the business was also viewed as critical in influencing the actions of these firms (Chapter 7). In support of the findings of Van Auken and Werbel (2006) this research found that where the spouse was less committed to the business and more concerned with family duties then they may push forward family logic and hence more communal exchanges may be observed. This demonstrates how family involvement influences the enactment of situated logics, as discussed in the sections above.

9.6.1 Situated Logics

The logics of action employed by the family in their businesses were key in analysing relationships that existed and understanding decision-making outcomes. Logics in these cases were a constant shifting of family logic and corporate logic and, in each company, there was a dominant logic although, like rationality, different logics were employed in different situations, resulting in the use of multiple logics (as has been suggested by Reay and Hinings 2007). Situated logics allow the chance to explain the links and influences towards the nature of relations in family firms and the intricate links between these logics and their influence on social capital and trust. The relationships of the firms with the community illustrated how there was a difference in orientation to action

between the firms. As discussed, all the firms participated in the community however it was only in the US case that the family entered into 'surplus' community activities due to the emotional attachment that they felt towards the local area. Emotional influences affected the orientation to action of the families towards the industry; decisions were shown to be based more upon instrumental rationality when it came to participation in the winery community, where as in dealing with the wider agricultural community a larger number of decisions were seen to be based on altruism in all firms studied (Chapter 6). This was explained by the common identity experienced, as explained by the dimensions of social capital, explained in the section below relating a new understanding of family firm relations.

The desire to retain control was found to explain some of the tension that existed between instrumental and substantive rationalities, with the need for control often conflicting with the desire and the inability to micro-manage every situation (Chapter 8). There were numerous instances of where control had been delegated and then regained and many contradictions lay between the need for control and the objective to expand the business. Historical influences had affected decision making logics; in James Clifford's case history had rendered paternalistic acts as untenable, directing a conscious move towards employing more corporate logic with staff, even if this was rarely enacted in practice. This may suggest the presence of competing logics, overwhelmingly the logic in the past was of family logic and this was extended to all families who worked in the firm but James now tried to instigate corporate logic in dealing with staff issues. Competing logics also came into force – corporate logic dominated but family logic took over - when it came to recruiting members onto the Board of Directors. Therefore this corporate logic has had limited practice where often subconsciously family logic once again takes over. As illustrated in Chapters 6, 7 and 8, where the family orientation increasingly influences organisation decision making tensions between instrumental and substantive rationalities are more common and when the family values dominate action substantive rationalities are likely to win in the decision making outcome. It is suggested that the desire for trust and peace of mind from the families are paramount to these outcomes, reflected in diagram 9.5. However, as section 9.3 concluded, instances of communal exchanges did not dominate action in these firms. Instances of substantive rationality were present, but were not commonplace in all firms, instead being highly influenced by the nature of the

individual family, influenced by both mediators of exchange relations and orientation of the family, combined with the level of family involvement.

We can add to the proposition of Van Auken and Werbel (2006) in this regard. As in the case of Penny Clifford, where family logic did dominate her orientation to action, this did not end with actions of her family alone. The sense of family was extended to families of employees within the firm that contributed to the increased sense of community found in Clifford (chapter 7), a welfare benefit that is often said to be present in small family firms (Gomez-Mejia et al 2007; Perrow 1993). As Gomez-Mejia et al (2007) stated, the family firm often serves as a vehicle for the socio-emotional sustenance of the family and thus is more apt to evoke owner manager care and commitment. This, however, was only found to be the case where both the active family members were interested in pursuing family as well as corporate logics. Astrachan et al (2002) believed that this care was most likely when families are active, first generation owners and the data gathered would provide support for this proposition, but with limited support for Villalonga and Amit's (2006) finding that second generation members are less attached to the business; the data here finds that emotional attachment to the business was high from the family members at Windybank Wines, to the physical element of their firm but they were not attached emotionally to the vast majority of internal and external actors in which the business activity was situated and, therefore, to characterise these families as 'less attached' would be a misleading generalisation. This is represented in figure 9.5 where relations are able to reflect both family and corporate logics in differing situations. These data suggest that the institutional logic of the family as emphasising mutual support and collective action (Friedland and Alford 1991) is higher in firms where the family are more involved in the running of the firm whereas the logic of the corporation may dominate decision making in family firms where the family are less active participants. However, even where the family are more passive, it does not preclude the effect of the family altogether (see section 9.2). This again highlights the significance of considering the influences of exchanges; particularistic ties exhibiting high levels of interpersonal trust, were found to be significantly more influential on decision making outcomes than universalistic ones. This shows why it is important to consider family orientation, not simply family involvement as influencing situated logics; although family orientation is usually synonymous with high family involvement, this is not always the case. This is reflected in the new model of

family business relations which shows family orientation as influencing situated logics (see figure 9.5).

9.6.2 Social Capital

Along with the level of family involvement, levels of social capital were found to be directly related to the prevalence of particularistic relationships. Social capital was noted as particularly important to family firms as it is a resource within a family that is intrinsic in the structure of intergenerational relationships (Coleman 1990; Nahapiet and Ghoshal 1998). Research objective two aimed to further distinguish between communal and associative forms of exchange. Understanding the nature of social capital was cited as one of the possible ways in which this distinction could be made. Particularistic ties were found to be the dominant form of exchange within the family firms studied where there was a high level of participation from the family. Further, dependent on the logic that was employed in decision making when family involvement was high, the likelihood of family logic dominating decision making increased, and this logic was directly related to the level of substantive rationality explaining that, where family involvement was high, the likelihood of communal forms of exchange occurring increases. The mediators of exchange relations (as reviewed in section 9.4) also held influence in this process, as reflected in the revised SoE model (figure 9.5).

The effects of social capital held variable impacts on the firms. Where there were particularistic, associative relations developed by the owner managers through growers associations, collaborative relationships and long term relationships with suppliers, social capital was seen to have a beneficial effect in terms of increased knowledge and information exchange, particularly when it came to problem solving. The growers associations were also a key source of social support. The collaboration through competitors associations had resulted in high levels of social capital in industry associations where firms worked together to promote the local area and interactions were shown to often revolve around problem solving and winemaking and growing techniques (Chapter 7). These associations were also found to provide a vital source of social support (see section 9.3.1). In these relations there had been a fusion of particularistic and substantive nationalities where firms were working together in an attempt to

save all their livelihoods. In both the case of America, the UK firm, and in the local area in Australia, levels of social capital had been found to be high enough so that ties did not become latent during difficult periods in the industry. It was also found that the stability that was felt by employees in the US case was part of the social capital that had developed between the family and their employees, which had resulted in staff feeling secure and valued. The data exhibited many other instances where the intangible concept of social capital had brought tangible beneficial for the families and organisations; these beneficial effects were more likely to be gained with partners in the associative system of exchange. A lack of social capital held clear drawbacks for the firm, including higher levels of turnover and employee misbehaviour. This was explained by the lack of anything 'extra' given to the employees, either physical or non-tangible, over and above the simple exchange of work for money and was more likely where there was a lack of interaction between the families and the employees. The characteristics of these forms of social capital, and their relation to the structure of social relations, is summarised in figure 9.6 below:

Table 9.6: Summary of the Characteristics of the Structure of Social Relations in Exchanges

	Universalistic	Particularistic
Trust	Institutional / Calculative Trust	Interpersonal Trust
Social Capital	Generalised Reciprocity	Personalised & Family Social Capital
Dominant Situated Logic	Corporate Logics	Family Logics

In some instances, the personalised social capital found in communal exchanges inevitably became stifling. When substantive rationality was utilised in the selection of employees, although benefits were derived from increased knowledge facilitation and rapid information flows, there were also drawbacks such as the opportunity cost lost from not selecting a person who could complete the job more effectively and the inability that the family felt they had to terminate that person even when they were not effective at their job. When family labour was casual the benefits of social capital such as increased facilitation of information and knowledge transfer, were maintained. However, when the family member was brought into the organisation on a permanent basis, these benefits of social capital were not always realised. This reflected the dynamic nature of social capital; transferring social capital from a social to a work situation (anticipated by Fukuyama 1995), highlighting the intricate link between social capital and the dynamic nature of ties, as reflected in the revised model (figure 9.7). Further, as the example of Windybank showed (Chapter 7), the high level of social capital that existed between the owning family and the Board had negatively impacted on the actions of the shop floor employees who felt that their opinions were often ignored in favour of following proposed actions of the Board; the social capital the family had with their Board members made information 'credible and interpretable' (Uzzi 1996:687), even when it may not in reality be credible (Chapter 8) acting, as Adler and Kwon (2002) state, as a constraint on the ability of the firm to develop. This analysis adds to these assertions by suggesting that social capital is more likely to become inhibiting or stifling within exchanges of a communal nature.

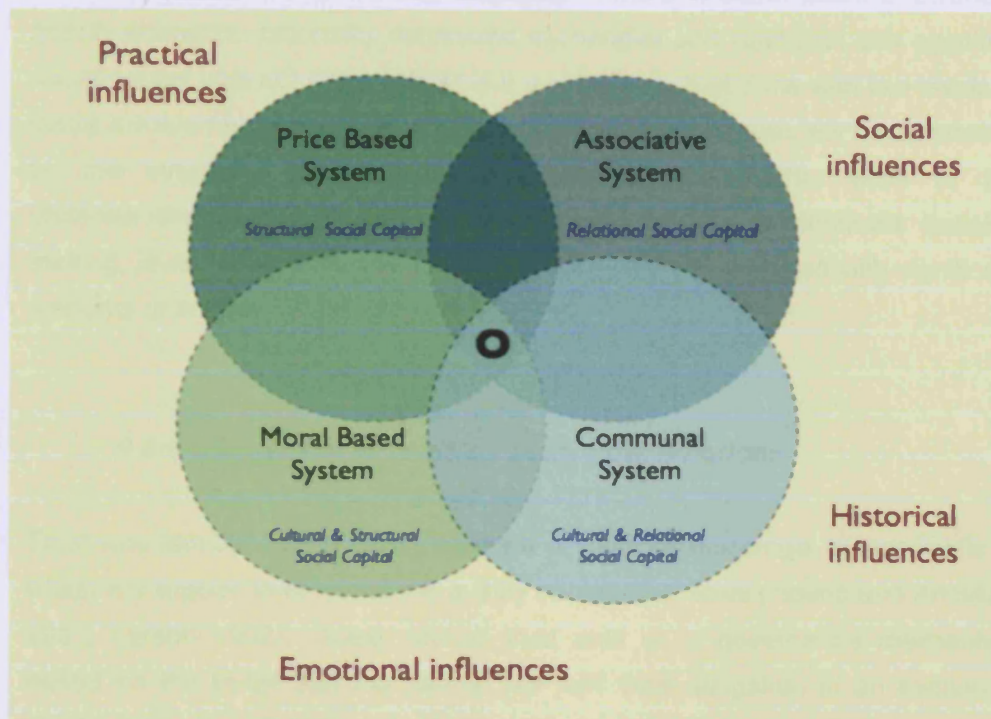
When attempting to reflect the dynamic nature of social capital, acknowledging its multiple facets became extremely important. The above analysis has explained that in associative forms of exchange social capital will be largely beneficial whereas in communal forms of exchange there is a higher likelihood that social capital may become restrictive and stifling due to emotional restrictions that are often imposed as a result of the orientation of substantive rationality. In relation to the data, a number of findings can be related to each of the three aspects of social capital (structural, relational and cognitive) as proposed by Nahapiet and Ghoshal (1998) (assessed in Chapter 3). Firstly, the structural aspect of social capital relates to patterns of connections between actors where timing of information flows are of critical importance and different organisations are identified for different sources. This aspect was proposed,

and found, to feature most highly in instrumentally rational exchange systems where means are pursued to calculated ends. For example, with relationships with grape buyers where information is critical in order to maintain the exact qualities of the grapes that the customers desired (Chapter 6). This suggests that the structural aspect of social capital will be influential in instrumentally orientated exchanges.

In the relational aspect of social capital, the nature of the personal relationship between two actors is important and the strength of ties is important as are the norms of the social system, obligations and expectations. This was found to be prevalent in particularistic relations where relational social capital gave rise to relational trust. In these relations reciprocity was key, as represented in figures 9.6 and 9.7. The cognitive dimension social capital is derived from shared representations, interpretations and systems of meaning which facilitate the exchange of information and knowledge that allow actors to shared each others thinking processes (De Carolis and Saporito 2006). Chapter 2 anticipated that orientation to action would be important where shared meanings and values are anticipated in exchanges suggesting that the cognitive dimension of social capital would be high in family firms due to the dominance of particularistic relationships. In the data gathered, shared meanings were found to exist in not only in the communal systems of exchange but in the moral system of exchange too, where shared meanings characterised exchanges even when the social relationships were universalistic. At industry level in the agricultural level which is overwhelmingly family dominated, common discourses were found around 'uniting' and 'understanding' each other. This form of social capital is, therefore, perhaps more aptly described as the cultural dimension of social capital, representing norms and values in an industry. The dominance of family ownership, combined with the very nature of the intricate overlapping of the family and the business that was found in this farming industry resulted in the dominance of family values at the industry level. At the level of the individual organisation, relations with members of the same industry in the local area in many instances were particularistic but not in all instances. In those cases where relations were not personal meanings with other members of the agricultural industry were still reflected, demonstrating that social capital has potential abilities but these may, or may not, be exploited. In the moral based exchange system, therefore, cultural capital is anticipated to be the dominant form but this dimension can also help us to understand social capital that

features in the communal based exchange system, also based around a substantively rational orientation to action. These dimensions of social capital could be represented within the revised SoE model as follows:

Figure 9.7: Representing Social Capital within the Revised SoE framework



One further aspect of social capital which may add to our knowledge of how notions of capital feature in the systems of exchange, in particular family firms, the integration of the notion of human capital into the analysis of relations. As anticipated in Chapter 3, these features of human capital were found to be most influential in communal systems of exchange, explained by actors sharing a common bond, such as kin, whereas social capital will dominate other systems of exchange. In these systems family logics were likely to dominate decision making and knowledge was more easily transferred. This was proposed as the skills and knowledge that constitute social capital may be more easily facilitated within a family where knowledge is more easily transferred and shared both features that increase levels of human capital.

This analysis, to a certain extent, concurs with the findings of Hickton (2004) whose research into the wine industry found that hands-on knowledge was gained by children of winemaking families meant they gained enough human capital from their parents that further education in the wine business was

deemed unnecessary. However, this analysis found that although social capital was embodied in families, the contention that levels of social capital would always be high in the wine industry did not hold true. Whilst this contention may hold true at industry level due to the dominance of family owned businesses in the wine industry, at organisation level, levels of social capital were not high across all relations in which they engaged. Where in some areas of business activity economic rationality dominated exchanges and relational and cognitive social capital was not high. Whilst it is unsurprising that firms with low levels of family involvement and a high level of price based exchanges will be dominated by the structural aspects of social capital, what further adds to our understanding of social capital is that where family logics dominate decision making, levels of relational and cultural social capital, combined with significant amounts of human capital will be high.

9.6.3 Dynamics of Trust in Family Firm Relations

Trust was identified as a critical element of network exchange, higher levels of which are argued to enhance the quality of resource flows (Hoang and Antoncic 2003; Larson 1992). Here, mutual trust acts as a governance mechanism based on the belief that the partner will fulfil their obligation in an exchange (Pruitt 1981; Powell 1990; Uzzi 1996). The development of high levels of trust reduce the transaction costs of monitoring and can lead to instances of 'moral community' where trustworthiness is expected and opportunism is foregone (Sayer 2008). Trust, in this research, was conceptualised as a relational aspect of social capital. Anderson et al (2005) characterised family firm's networks as containing a complex mix of ties, bonded by trust. Trust in the family firm was believed to be particularly prevalent due to the fact that kinship is one way in which interpersonal trust is formed (Granovetter 1994) leading some researchers to describe family firms as 'high trust' organisations (Jones 1983). Similar to the concept of social capital, the SoE framework in its original form acknowledges that levels of trust will vary in each exchange arena but does not state in which exchange system different types of trust will be realised. By applying the data gathered to this concept we are able to make suggestions as to the forms of trust that will be prevalent in each exchange system, particularly useful for research objective two, which aimed to further distinguish the characteristics between the particularistic forms of exchange.

The literature review anticipated, therefore, that affective or unconditional trust (Luo and Chung 2005) would feature significantly in these family firms, particularly within the communal systems of exchange where kin relationships may be situated. Luo and Chung (2005) believed that unconditional trust was characterised as where emotion enters the exchange. This concurs with the factors that were identified as acting as mediators to relations (section 9.4), where it was found that when emotional factors dominated orientation to action, the result would be a communal system of exchange. An illustration of this from the data was found with the relationship between James Clifford and Brad who was one of the only two people in the firm that could sign company cheques when the owners were absent. This was not because Brad knew the first thing about the financial operations of the firm, simply that he was close personal friends with James who felt that he would act in his best interests, having been in the firm for twenty years. In this case repeated historical and social interactions between the two parties had not only increased the perception of integrity between the two actors and increased mutual dependence on one another but also led to a situation of altruism, where the trustee becomes genuinely interested in the welfare of the trustor (McAllister 1995). This long term relationship could be likened to extended family and therefore exhibit advantageous characteristics of family relations such as emotional commitment and a long term understanding of the firm. Conversely, the lack of trust that the owners of Windybank Wines had for many in the firm, unless they held social, particularistic ties with the members, was apparent. Interpersonal trust was required by the family with the perception of partners to act in their best interests, but this did not necessarily occur. For example, Windybank Wines staff were well aware of the conflicts of interest of the Board but they were not trusted to deal with a range of business issues (Chapter 7). This damaged the motivation of the employees and also highlighted the sometimes detrimental effect that high levels of interpersonal trust can have on business development (Chapter 8). These data suggest that where more particularistic reasoning is used in the selection of employees, the greater effect that internal firm relationships may have on growth. This contention is considered worthy of future research attention which may seek to examine further the links between particularistic recruitment and rates of growth of a firm (see Chapter 10).

This high level of trust, or affective trust in this instance, did not always have positive connotations for other actors within the firm. The James and Brad relationship, for example, was held in negative regard by the winemakers as when there was conflict between the two, James was seen to 'take Brad's side', even where he was in the wrong. This is a common feature of affective trust which is grounded in the perception of integrity of others (Mayer et al 1995). At Windybank the trust that the owners had in the nepotistically selected Board of Directors also exhibited affective characteristics which, as documented, had resulted in the family going along with decisions taken by the Board for self-interest reasons, not necessarily in the best interests of the firm as they expected (Chapter 8). This is clearly highlighting the dangers of trust as pointed out by De Carolis and Saporito (2006) of trusting information as accurate and relevant. But it was not only at Windybank Wines that affective trust had been employed when deciding who to hire into the firm. At Clifford there were examples of where either nepotism had internalised a family member into a business resource or where friends had been employed in the organisation largely because they were viewed as 'trustworthy'. James and Penny both saw it especially important to employ people in whose integrity they trusted, particularly after their historical interactions with employees in their vegetable business, before they diversified into wine, whom they viewed as abusing their trust (see Chapter 7). In this instance having someone in the organisation that they perceived they could trust outweighed any efficiency gains that may have been made by employing someone better suited for the job. Historical influences had affected their orientation to action in this case which, in turn led to communal systems of exchange (on behalf of the employers at least) characterised by affective trust. These examples, and other supporting data from the discussion chapters, all lead to the suggestion that affective trust will be the dominant form of trust relation in communal systems of exchange.

Under universalistic conditions of exchange, trust does still exist, however, each actor will expect all parties to act in accordance with self interest (Klein 1996; Nahapiet & Ghoshal 1998). This was shown, for example, in the exchange of money for work, where managers trusted staff to do their jobs effectively, as was shown to be the case at Windybank. Here, there was no notion of mutual obligation, and, as Chapter 7 discussed, there were no feelings of loyalty between the family and the business, simply a trust in each other to carry out their side of the bargain. This could be described as an instance of thin trust,

but it may more accurately be described as a trust in ability. There were other numerous examples, in all three firms studied, most commonly with suppliers (Chapter 6), where relationships had been lengthy in duration but were not characterised by frequent interaction or maintenance of social relationships yet they were still characterised by a strong trust in ability. These data suggest that where price based exchanges are identified, the dominant form of trust will be trust in ability, as anticipated by the literature in Chapter 2.

There were other instances where trust was present in business relationships that could neither be described as 'high' or 'low'; in associative systems of exchange notions of reciprocity were key in the trusting relationships that developed. For example, in voluntary associations the benefits of membership existed in information exchange with competitors for which they had to trust one another with confidential information in order for the relationship to be a synergistic. This could be described as exhibiting calculative trust, where the benefits that are seen to accrue over time from behaving in a trustworthy manner, contrasted with the benefits that would result from opportunistic moves (Klein 1996) in which case partners could expect trustworthy behaviour from their counterpart (Wicks et al 1999). This calculative trust was also synonymous with particularistic relations in other firms. For example in the UK where participation in winery associations was often carried out by 'virtual' means where repeated physical interactions were limited but interactions of a problem solving nature took place over internet threads within their association (Chapter 6). Again, there was calculative trust that each contributor would act in the best interests of the other members, to improve the quality of output for all, so that the industry gained a better reputation. This was seen to supersede gains that could be accrued individually so collaboration was pursued. This is not to say that levels of trust in ability or affective trust were not present to some extent, but rather to posit that calculative trust is more likely to be the dominant form of trust in these associative forms of exchange. This is, of course, subject to change and development over the duration of the relationship.

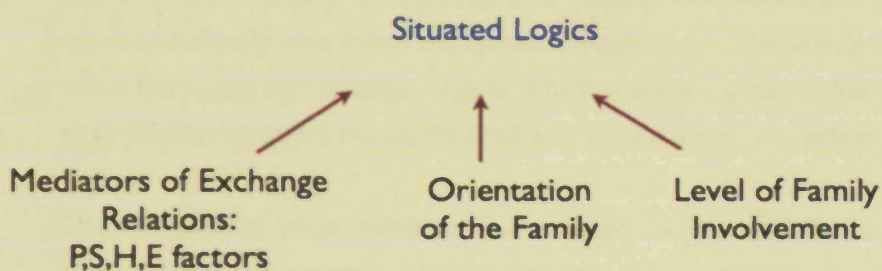
As outlined in section 9.3.1, trust influences the development towards particularistic relations over time. It takes time and repeated interactions to build trust, with relationship stability and durability being the key network features associated with high levels of trust (Nahapiet and Ghoshal 1998). When trust develops, the base for fine-grained information transfer is set in

place. As Uzzi (1996) states that when this information transfer exists the likelihood of searching for different partners reduces and this in time causes relationships to become increasingly multiplex composed of economic investments, friendship and altruistic attachments. But, whilst this may be true in some cases, this study did not find that in all instances continued interaction developed into a situation of particularistic relations but, as stated, that ongoing relations need not necessarily develop into exchanges characteristic of high trust relations but remain price based with a trust in ability to do the job, which is why the relationships were lengthy. As stated, this was most commonly found to be the case with suppliers and grape buyers (Chapter 6). This also emphasises why Williams' notions of thin and 'thick' trust are somewhat simplistic. Williams (1988) states that thick trust is characterised by daily contact with people who tend to be socially homogeneous but, as this research has found, whilst the latter may remain true, daily contact to gain thick trust is unnecessary. The Grouse family may only meet with the Australian Board twice a year however they still had strong levels of affective trust with their members. Similarly, the Harveys may not speak to their friends who helped out in harvest every day but they knew, if they needed assistance, that they would be there. If we are to go beyond this simplistic notion in the SoE then the concepts of trust in ability, calculative trust and affective trust have been demonstrated to add to our understanding of how trust is characterised in exchange relations (reflected in figure 9.4). The data improve our understanding of forms of trust by explaining that although different forms of trust may appear in each system, that in the price based system trust in ability will be high, in the moral system affective and calculative trust will be exhibited, in the communal system affective trust is key and in the associative system calculative trust is important. To represent these types of trust in the new framework of family business relations, these forms of trust are broken down into two dimensions of trust; interpersonal and institutional. Institutional trust represents trust in abilities and calculative trust (prevalent in universalistic exchanges), whilst interpersonal trust represents the affective or relational form of trust (that is synonymous with particularistic relations).

9.7 A New Understanding of Family Firm Relations

The above analysis has shown the concepts of situated logics, social capital and trust are intricately linked in the effects that they hold on the relationships that emerge.

Figure 9.8 Influences upon Situated Logics



As can be seen, the logics that emerge to influence exchanges in these firms are influenced by the mediators of exchange relations (Practical, Social, Historical and Emotional), as well as the level of family involvement (as reflected throughout the analysis), and the orientation of the family towards decision making. The impact of the influence of the family can therefore be explained by the level of involvement and their orientation. As discussed, the higher level of family involvement can usually be correlated to a high influence of family orientation in decision making. These factors can help to explain the dominance of corporate or family logic towards an exchange. Where corporate logic emerges as a result of these influences, universalistic relations are seen to emerge, whereas when family logic is dominant, particularistic relations are more likely. However, as we recognise, dominant logics develop and which of

the multiple and competing logics that co-exist is dominant at any one time is context dependent (Thornton 2004; Mutch et al 2006). The mediators of exchange relations affect the structure of these social relations, when social and historical influences are high logics are likely to lead to particularistic relations, whereas when practical influences are high, universalistic relations are likely to emerge. In support of the work of Thornton (2004) and Reay and Hinings (2007) this research therefore also supports the observation of co-existing logics in family wineries. As anticipated in Chapter 3, these co-existing logics were particularly prevalent in exchanges with the local winery community where logics were both competitive and collaborative. This study develops the work of Thornton and Ocasio (2008) who note that each of the institutions develop as a result of the interplay of material and cultural characteristics, by suggesting more specifically how Practical, Social, Historical and Emotional influences can affect the logics that emerge. Again, it further adds support to the work of Mutch et al (2006) regarding the significance of situating logics in context.

The structure of social relations that emerge help to explain the social capital and trust that are present in the exchanges. As the analysis has shown, where exchanges are particularistic in nature, relational social capital and interpersonal trust feature, whereas in universalistic structures, calculative trust and social capital are evident. These are subject to change and understanding these features help to explain how the dynamics of ties may develop over time. As identified in section 9.3.1 and 9.6.3, as the businesses grow they aim to develop communal relations into associative relations which are more instrumentally based, whilst retaining the benefits of social capital. This creates difficulties as the features of particularistic relations and interpersonal trust in particular, can restrict the ability to make institutionally rational decisions; especially with the presence of kin relations. This can create difficulties for relations with others, who view high levels of interpersonal trust with particular actors as treating certain actors favourably, at the expense of themselves, which can alienate certain others in the network (see section 9.2).

As discussed, relations were dynamic in progressing from social ties into business relations and business relations into social ties. This can be explained by the presence of social capital, leading to the development of interpersonal trust and similarly, by the building of interpersonal trust, relational social capital emerges, leading to a social relationship developing over time. This new

understanding must also reflect the instrumental decisions by an owner manager to pursue the building of social capital, from previously universalistic relations featuring calculative trust, in order to create dependencies in the relationship so that it survives into the long term.

The development of this model shows that there is clearly support for Gersick et al's (1997) model of the family firm as overlapping subsystems, but it may be suggested that the model may shift as to which system is more influential in decision making; the systems may be more heavily weighted in one particular area depending on the situated logics that emerge (a result of the level of family involvement, family orientation and mediators of exchange relations). The findings presented demonstrate that the level of family involvement is clearly a variable on relationships that are observed in the firms, therefore to treat family firms generically would produce distorted or misleading results that one may use to theoretically generalise upon and find erroneous and meanings as a result.

This model is developed so as not only to be applicable to the study of family firms but may well have relevance for other organisations and differing institutional settings. For example, these links may be applicable to the study of Knowledge intensive organisations as studied by Alvesson amongst others. Extensions such as these are developed in Chapter 10 that follows, which also identifies implications for academic study and acknowledging the limitations of the study.

9.8 Conclusions

The above data interpretation has made many assertions regarding the relationship exchanges in family firms and suggested wider application to current theoretical understanding. The first two contributions have been driven by the empirical evidence, extending the concepts of the model and situating the model in context. The third contribution remains partially conceptual and can be taken forward for further examination in future research. Whilst conducting this research and subsequent analysis, the research objectives, as set out in Chapter 3, have been fulfilled. Following the analysis of the data gathered in relation to our current understanding of these areas as explained above, it is

possible to see the applicability of the SoE framework and the proposed extensions, in its revised representation. These contributions have led to a development in our understanding of how exchanges are conducted in family firms and also increased knowledge in both areas of organisation theory and family business theory by highlighting the importance of considering the level of involvement of the family on the business when analysing firms under this type of ownership.

There are recognised limitations to this research, such as the small number of cases studied, and these limitations will be assessed in the following chapter along with suggestions of how to extend and develop the research in the future and suggest how the revised framework could be applied to different forms of organisations. Along with this, Chapter 10 will provide a summary of the thesis, the research questions and outline ways in which the findings presented here can impact on theory, policy and practice.

Chapter 10

Summary and Conclusions

10.1 Summary of the Thesis

This research aimed to further our understanding of how relationships informed the conduct of exchanges within family firms. Through a critical review of the networking literature, and family businesses in particular, the Systems of Exchange model, which distinguishes the character of social relations in an exchange, was established as the focal point within which to frame analysis. In this framework the structure of social relations are distinguished between universalistic and particularistic approaches and the orientation to action is distinguished between instrumental and substantive rationalities. The literature review anticipated that when applied to analysis of a research setting the dynamic nature of ties would need to be more fully reflected. The review also assessed that the SoE could be further refined by developing the concepts of social capital and trust, suggesting how dimensions of both these concepts may influence the systems of exchange that emerge. The literature review anticipated that social capital would be especially important for these family businesses as previous research has indicated high levels of social capital in their business activities (Steier 2001). This led to the anticipation that particularistic relations would dominate exchanges in family firms, where a high level of kinship ties were expected (Luo and Chung 2005). This rendered the distinction between particularistic ties on the basis of orientation to action as important as it did not suppress the potentially distinct effects of particularistic ties into one category (Tsui and Farh 1997). This review and proposed extensions of the SoE framework was followed in Chapter 3 by a review of the current understandings of family business theory, which enabled gaps in our current level of knowledge to be identified and subsequently, on the basis of this evaluation, research objectives were set out at the end of Chapter 3.

The research was both open and focused. Research objectives stemmed from exploratory questions such as identifying the exchanges that take place within and

between family firms in order to better understand how these firms utilise their network relationships, to more specific objectives that were inductive in nature:

1. To consider the influence of active family members on the exchanges taking place in the firm.
2. To assess particularistic ties as the dominant form of exchange in these family firms and, further, to evaluate associative and communal exchanges in the cases studied
3. To explore the effect of the local context on the tie portfolios that are identifiable in the organisations and to comparatively examine the consequences for the business of embeddedness in the local community.
4. To suggest, from observations and in depth conversations, the ways in which exchanges may develop and alter over time.

The identification of these objectives led to the clear justification in Chapter 4 for the use of in depth qualitative methods and comparative case studies. The impetus for a cross-country comparison was both to acknowledge the effect of context on exchange relations and further, to develop our knowledge of the dynamic nature of ties. Chapter 4 also reviewed the philosophical guidance of the research process, critical realism. In depth descriptions were provided as to how the six months that were spent in the field were divided between the three cases and experiences of fieldwork were reflected upon.

The merit of the SoE typology lies in its ability to examine different contexts of behaviour and this enables it to be more explanatory and holistic than other networking models and studies. In support of this, Chapter 5 set out the contextual background for the study. It highlighted the significant development of agricultural diversification in all of the countries studied, this became highly important in developing understanding whilst in the field of the identity that was visible with the agricultural community. It also helped to explain some of the collaborative relations that emerged. Furthermore, the recent surge in demand in these relatively new areas of winegrowing enabled comparisons to be facilitated across the cases studied where differences in sales growth had been identified. Situating the geographic context formed a part Chapter 5 which, again aided understanding when it came to observation, especially when participation in local communities and associations was considered, with practical factors such as location acting as a mediator to the orientation of relations. In the final part of Chapter 5 the initial

introduction to the cases was made, including comparing the key characteristics of the firms as well as reflecting the organisation structure of each firm and presenting the current situations of their business, so their subsequent actions in observation could be more clearly understood.

The data gathered in the study were discussed in Chapters 6, 7 and 8 under three thematic areas; external ties, internal ties and how relationships affected growth. Chapter 6 considered a range of external relations and concluded that levels of both associative and communal ties were high in family firms where the family were actively involved in the firm and there was a high level of family logic influencing decision making. This influence was especially notable in the relations in which the firms engaged with the community and local associations where families who were active in the running of their firms felt a high level of obligation and responsibility towards the local community. In these firms association membership was also found to be high and collaborative relations were important, not only as a source of knowledge exchange but as a source of social support too (although this was only found to be the case where the target market was local). It is in the nature of the relationship of the firms with their communities that the influences of mediators are first apparent; emotional and historical influences were shown in the data to be highly influential in orientation to action towards the local area in which the firms were embedded.

Emotional and historical influences were further reflected in the often substantively rational recruitment decisions that were taken in all the firms studied. The nature of these relations was explored in Chapter 7, which considered the impact of internal ties on exchange relations. In this chapter it was found that the level of family involvement in the firm was once again highly influential in assessing the relations that emerged, concluding that the greater the level of family involvement the more that employee relations are positively affected by ownership status. When the family were distant from the firm the effect on employment relations was not viewed positively; employees felt alienated and ignored, which had led to a high level of employee turnover and a severe lack of employee productivity in one firm. Conversely, although there were drawbacks of family involvement in the firm where the family were highly active, the positive effects and the fringe benefits incurred as a result of their interaction outweighed the drawbacks for these employees. Nepotistic relations were noted in both cases, resulting in feelings of negativity for the other employees but largely viewed as positive on the behalf of the family who

felt they had an individual in the organisation who they could trust. The impact of these relations was highly notable in terms of the growth ability of the firm, discussed in Chapter 8.

Chapter 8 established that there was often a disparity between the desire for growth in the firms and the actions that were subsequently undertaken. This was largely attributed to the orientation to action of the exchanges in which owner managers engaged. These contradictions were not anticipated in the literature review but the nature of social relations was seen to have a significant effect on the growth ability and the development of the firms. It became apparent that by understanding the orientations of relations through the SoE framework we can add to our knowledge of the growth abilities of family firms, of which there is currently little understanding. The influences on orientations were explained by the mediators of the relationships, as identified but also, in terms of growth, were highly susceptible to the influences of the personality of the owner managers and their need to retain power and control of the organisation. Again, the need to retain control of the firm for the long term often resulted in exchanges being undertaken that were not consistent with the objective for growth that was articulated by each of the owning families in question.

Chapter 9, the penultimate chapter in the thesis, brought together the data discussion chapters and analysed the data found in relation to the initial extensions that were proposed for the SoE, relating the findings to the development of current understanding. This chapter was structured around the three main contributions of the thesis; developing the SoE framework, situating the model and developing a new model of understanding relationship characteristics in family firms. These contributions and findings are summarised below. Following this, the limitations of the study are acknowledged and the implications for research and practice are set out. This leads to the suggestions for future research being identified in the final part of the chapter.

10.2 Primary Findings and Contributions

As Chapter 9 developed, the data findings lead to three areas to knowledge to which this study can contribute. These contributions can be summarised in turn:

Firstly, the data lend support for the development of the SoE model to reflect the dynamic nature of ties and the asymmetrical nature of relationships. Research

objective four was to suggest the ways in which exchanges may develop over time towards associative relationships and it was found, contrary to some expectations, that relationships were more likely to develop within the communal system of exchange, towards developing higher levels of corporate logics when the relationship shifted from a social relation to a business resource over time. This did not mean, however, that the social aspect of the relationship disappeared and, therefore, substantive rationality still tended to dominate orientation to action when business relations developed. The increase in business logics within communal systems was partly explained by the ability of the owner managers to be particularistic in their selection criteria of business partners; often this dynamic occurred during periods of growth where the owners felt as if they needed someone in the organisation that they could instantly trust and, within the communal system of exchange, the already present high levels of interpersonal trust and personal social capital enabled this dynamic to be realised. It was also found that where these communal relations did develop higher instances of business logic the actors were more likely to work through their difficulties rather than let the tie die.

Secondly, extensions were developed in terms of situating the SoE model. These elaborations arose as a result of identifying a number of mediators of exchanges influencing orientation to action; Practical, Social, Historical and Emotional. Exchanges cannot be understood without understanding orientation to action, which was found to depend largely on these factors. It was found that, in the agricultural industry, identity with the community is strong and particularistic ties dominate interactions with other members of the agricultural community. The agricultural community forms a substantial value basis for exchanges, suggesting that a larger percentage of substantively rational exchanges may be found within the agricultural industry, which is predominantly family owned.

Many emotional influences on relations were observed. As suggested in research objective two, the effect of embeddedness of the family firm in the local community was considerable. In instances where the family were active in the business the likelihood of them being embedded in the local community significantly increased. The success of these firms had led to feelings of obligation towards the community, to 'give something back' whilst also investing for the long term wellbeing of the area, particularly important for those families who desired their children to become the next owners of the firm. However, whilst the close relationship with the community had been highly beneficial in the initial start up phase of the business, during growth

the high visibility of the family had also created difficulties and obligations that were difficult to fulfil (as discussed in Chapter 6). These particularistic relations had therefore become increasingly inhibiting and restrictive in many senses but were vital to maintain as these embedded community relations may become more critical in times of hardship and the family did not want to lose this community support. It is possible to slightly alter the contention that family firms may enact an increased personable approach to non family firms, by stating that this personalised approach is only likely in firms where the family themselves are active participants, increasing the likelihood that particularistic relations will be more commonly observed in instances where the participation of the family is high.

The final contribution to knowledge is developed through the suggestion of a new model for understanding characteristics of relations in family firms. This develops our understanding of the interlinking nature of situated logics, social capital and trust. By better understanding this interlinking nature a more sophisticated understanding can be secured of relationships in family firms and an engagement with the SoE framework can be more easily facilitated. This was informed by, and used to explain, a number of findings. Firstly, where the family were active in the business, the family draws on logics that it is committed to, trust is of an interpersonal nature and social capital is of a personal nature, but as the business grows the family aim to employ a corporate logic. This was shown to have varying success and implications, as reflected in Chapter 9. The concept of logics therefore emerged as highly significant in shaping relationships that are observed. The dominance of family or corporate logics in decision making is shown to develop and alter over time. The level of family involvement is linked to the dominance of family logics; as family involvement increases so too does the influence of family logics in a larger number of situations. This is also influenced by the orientation to decision making of the family (as reflected in the new model), where family values are regarded as more important than business values then family orientation to decision making will emerge. Where a family orientation dominates decision making, firms are more likely to develop a higher level of communal exchanges that make increasing use of corporate logics over time than would be found in corporate firms who are less able to discriminate upon particularistic criteria. Fuller and Lewis (2002) propose that there is one dominant orientation to action for a family but the data showed that it was important that this concept does not become over-simplified or assumed to be the case in family firms where there is found to be a number of competing logics of the family and the business, of which competing logics are

overcome depending on the orientation of the family. This leads to not one but a number of orientations to action emerging. These competing logics had resulted in tensions arising between instrumental and substantive rationalities. These tensions had often resulted in contradictory actions being undertaken, such as the desire to treat all employees in the same manner but the action of treating them differently, the desire for growth but the recruitment of members into the organisation being taken on the basis of substantive rationality. In this case, nepotism was shown to erode the social capital that was present in the firm. This had resulted in a situation of trade-offs for relationships in which the family were embedded, both inhibiting and encouraging the ability of the firm to survive and grow.

10.3 Limitations of the Study

As with any study, there are possible limitations of this research, both in terms of the phenomena studied and in terms of the methodology employed. One limitation is that of bounded rationality where individuals are 'bounded' by a variety of constraints such as the limited capacity of the human mind when making decisions (Kreitner et al 1999). In this case the limited ability of the human mind was enacted over the selection and processing of recorded observations and information in the field and throughout analysis. This concept also applies in terms of the network. Whilst aiming to consider an organisation's portfolio of ties, it was not possible to gain access to every partner in that network. This leaves open the possibility that a key exchange that was not observed could have further added to understanding. However, upon entry to the field I understood that this would not have been possible and therefore adopted the snowball technique for interviewing that is accepted as being 'a practical and useful approach for accurately defining network boundaries and collecting relational data' (Rowley 1997:905). Furthermore, whilst significant levels of access were granted there were still instances of meetings, liaisons and informal chats where ideally access would have been gained but was not possible. However, although collecting data on multiple ties may have provided a theoretically robust measure, as Rowley (1997) explains, 'the validity of aggregating relationships to represent the theoretical construct depends on the theoretical constructs and the nature of exchanges between actors in the actual study' (Rowley 1997:906).

It may also be argued that a cross-sectional study restricts the ability to understand the dynamic effects of exchanges and development of ties. This study was not long enough to be considered longitudinal in nature although, over significant amount of time spent with people in the network, understanding was gained about how the relationships had developed over the years so it was better placed to address such issues than a survey or standard structured interview. However, it is accepted that it would not be as informative or reliable as it would have been to spend extended periods in the field. Accepting that this was not possible, the differing historical contexts of the areas in which the firms were situated provided an indication as to the possible development of these relations, beyond a static view of one organisation.

The method of participant observation has been cited as a limitation of the study in previous research due to the subjective nature of the method (Corbetta 2003; Hammersley 1992). It is true that when reflecting observations the researcher is only able to articulate what they have understood to be the phenomenon occurring, there is no escaping the fact that what may be interpreted in one manner by one researcher may be interpreted in another way by another but this could also happen in the use of other methods too. Observations may be more prone to this subjectivity but I do not think that this detracts from the value of this type of study. On the contrary, only by observing the actions in which individuals take can we gain a true reflection of the nature of the relations in which these firms were involved. There are also means of validating observations in order to add weight to their value. In an attempt to improve the robustness of the study a number of methods were used in support of the observation technique, including interviewing and secondary data analysis, as documented, and reflections were made in the field diary on frequent occasion as to the possible influences that were being enacted in the organisation.

One could also argue that qualitative case study research reflects a methodological shortcoming (for example Atkinson and Delamont 1993). The adoption of this method was justified in Chapter 4, which rendered criticisms of case study work as defensible. Indeed, this study has demonstrated that rigorous case study research can yield useful comparative data that facilitates the development of knowledge. Furthermore, criticisms of the small number of cases undertaken, whilst accepted, are only of limited validity as the aim in this study was not to generalise to populations but to add to the explanatory powers of theoretical development. Whilst

considerable access and time limitations rendered complete theoretical exhaustion unfeasible, it was felt a lot was gained from each period in the field in terms of data and continuous contact with the participating organisations since the study took place enabled some of the continuing stories in the organisation to gain an ending.

10.4 Implications for Research, Policy and Practice

There are a variety of ways in which this study is important for research and practice. Firstly, the refined application of the SoE framework demonstrates to other researchers that the tool does have empirical validity and, by utilising the revised model, further understanding of the dynamic nature of exchanges and the asymmetrical relations will help researchers develop explanations in their studies and further contribute to the development of organisation theory. The revised model, and new understanding of family firm relations, can now be further developed and extended, which is particularly useful in facilitating a family to non family comparison or to alternative forms of organisation, as discussed below. Furthermore, the understanding of family firm relations is presented as a conceptual model and it may be useful to develop further research in this particular area. In terms of improving understanding of the orientation to relationships, the P,S,H,E factors may be used as heuristics for studies seeking to ground micro analysis in context.

Secondly, a number of implications are also notable in providing feedback to family firms. Firstly, it is essential for all researchers and practitioners that family firms are not treated as homogeneous. This analysis has clearly explained the effects that the differing levels of family involvement hold for those within and external to the firm. The level of family is related to, but is not the same as, family orientation. It is also important to note the orientation of the family to business decision making as this is shown to have direct links to the ability of the firms to grow and can help to understand actions that are observed. Finally, academics must recognise that the orientation to action in an exchange is influenced by competing and multiple logics that are employed in these family firms and the belief that there is one dominant logic is clearly not supported in the case of family firms where a small number of relations that emerge as a result of family logics can have a great effect on business decision making and outcomes.

Thirdly, there is significant academic value of the project as it is the first study that makes use of ethnographic techniques to explore the UK wine industry where the recent growth has spurred many research projects centred on quantifiable results. This study is a useful starting point for future research in this area to develop and hopefully will demonstrate further understanding and explanations as to why certain phenomena occur in this industry, leading to increased work in the area.

Finally, there are additional implications of these research findings for practice. The analysis shows that managers need to be aware that their firms are not only embedded in economic systems but that the social systems in which they are engaged exert considerable influence over their business actions, even if they do not recognise them as doing such. In some cases, the data exhibited owners being strategic in their development towards particularistic relations, to create feelings of obligation. If other managers recognise that this dynamic can be actively pursued then they too may secure scarce resources into the long term by creating a mutually obligated relationship. As Hite (2005) asserts, if entrepreneurs are better aware of the network process then they will be better placed to manage network evolution. Moreover, at industry level, the study could be used by organisations such as the grape growing associations to help them develop future strategies. By recognising the inevitable drawbacks of family involvement and the potential benefits that may be achieved, these organisations may be able to tailor training to suit these firms and recognise the support that could be developed.

10.5 Future Developments

By assessing the limitations of the study, three primary areas for future research to be conducted in this area become apparent; extending the concept of mediators of exchange relations; extending the new understanding of characteristics of family firm relations and, finally, extending the means and modes of analysis.

Firstly, it is suggested that future research should be developed into further improving our understanding of the mediators of exchange relations as identified. Recognition of these mediators helps develop our understanding of how exchanges come to exist in the systems that they are observed. This can only be understood by looking at the orientation to action, which is highly influenced by these factors. However, this is the first study to develop these factors for use as a heuristic tool

and value can be added to the argument that it presents if the concepts are used in a wider range of studies. It would be especially important to apply these concepts to a study of non-family firms to see if, as conceptually anticipated, these mediators are still prevalent. This would add weight to the theoretical developments that they intend to represent. Furthermore, specific work can be extended into each of the mediators identified in order to further explain the effect that they may hold on the orientations that emerge. There has been a lot of work done on emotions, for example, and this may be integrated into analysis. Indeed, Lawler and Thye (1999) have advocated the introduction of the concept of emotional processes into the exchange process, presenting two cognitively based theories on the influence of emotions in exchange. If we were to explore this work in more depth we may be able to integrate and expand further the nature of influence of emotions on orientation to action.

Secondly, there is clear scope for exploring further, and possibly extending, the new model that has been developed for understanding family firm relationships. The link between social capital, situated logics and trust may not be limited to family firms but may also apply to other industries with similar characteristics. It may have wider applicability to other forms of agricultural industries, not limited to family owned firms. For example, it may be similar in nature to the characteristics that are exhibited in knowledge intensive organisations, increasingly the subject of research attention (Alvesson 2004), where there may also be a tension between instrumental and substantive rationalities and a high level of interpersonal relationships. Furthermore, since family businesses typify knowledge intensity and have a distinct cultural context, imbued with cultural values and tacit knowledge, (Roberson and Swan 2003) they may be an interesting arena in which to examine this increasing body of literature and add to its development. Moreover, if we desire to further understand how innovations emerge from these knowledge intensive firms Swan et al (1997) suggest that we must take into account institutional arrangements and capabilities. The new understanding of family business relations, introduced in section 9.7, may help us to comprehend the impact of such institutional arrangements by considering the influences upon situated logics, as reflected in Figure 9.8 (page 309).

Thirdly, a number of future extensions could be made to the application of these frameworks in the future. In an ideal world longitudinal research would be undertaken in order to add further to our knowledge of the dynamic nature of

relationships. Here, it was interesting to observe the development of social into business relationships but it would also be interesting to observe further what happened to these relationships deep into the future when they are no longer relevant as business relations. We found tentative suggestions for this in a number of exchanges, but not enough to develop in depth explanations. Further to this, future studies could make use of a variety of different methods in order to increase the strength of the explanations that are offered. This may include further increased levels of interviewing, a wider range of network contacts, and increased number of case studies both across and between family and non family firms. There are, of course, many directions in which these research findings can now be taken but, as Cepeda and Martin (2005) state 'the spiral towards understanding is never complete: each research cycle may result in a richer deeper understanding, but there are always more insights to gain' (p861).

10.6 Concluding Remarks

The purpose of this study has been to further develop our knowledge of a previously scarce area of research, exchange relations in family owned firms. This has been achieved by conducting an international comparative case study research with three family owned wineries in New World winemaking countries. The data gathered and subsequent analysis leads to a number of significant contributions to organisation and family business theory to be made. Firstly, the development and reconceptualisation of the Systems of Exchange framework to reflect the dynamic and ever changing nature of relationships and the elaboration of the model to account for the possible asymmetric nature of exchanges. Secondly, it was shown that exchanges cannot be understood without situating these relations in context and the SoE is therefore extended to account for the influence of the mediators of exchange relations. These mediators of relations were not limited to historical influences but included, practical, social, historical and emotional facets, which acted as mediators to an exchange relation affected the orientation to action that emerged. These mediators demonstrate influences upon the nature of exchange, beyond the issue of ownership. Finally, the research sought to develop a contribution to knowledge by presenting a model of relationship characteristics in family firms by developing our understanding of the interlocking nature of three key concepts; social capital, trust and situated logics, influenced by the level of involvement as well as the orientation of the family. Above all, the research has

shown that the character and characteristics of family business relationships cannot be assumed but must be assessed.

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Appendix

INTERVIEW SCHEDULE

Interviews with Employees

General Background Information

- History within and before joining the firm
- Current role in the firm and how changed
- Duration working for the firm
- Training provided in the firm; formal and informal processes

Relationships

- Active and inactive networks:
 - Impetus, modus operandi, outcomes
- In what ways does the firm work with others regarding; business ideas, accessing resources, developing the firm?
- Views of the relations that exist between the firm and their suppliers and buyers
- Description of what each parties gain from these relations other than direct resources
- Dependability of the firm on outside actors

Relations with Community

- Membership to community organisations
- Sponsorship of the organisation to community activities
- Involvement in wine activities/ relations with competitors
- Involvement in national / wider state wine activities
- Involvement and thoughts on tourism in wine

Family

- Interaction and experiences of working with the family
- Whether see family involvement as advantageous or disadvantage
- Methods of communication between employee and family
- Perception of family members and their communication with each other
- Recruitment process questions / formal and informal processes that exist
- Involvement of extended family in the firm
- Informal and formal activities that take place within firm
- Social interactions between employees and between family and employees

Growth

- Views on growth of the firm
- How and in what directions growth is anticipated
- Challenges organisation may face during growth;
 - does the firm have the ability to grow?

Future role

- Where see the firm in 10 years time
- If they see themselves in the organisation in 10 years and, if so, how they see their role developing. If not why not?

Pick up on the specific issues with those individuals as identified throughout participant observation and time spent with individuals.

Interviews with Family Owners

Background Information

- Background of the organisation and personal background prior to inception of the org Context of diversifying into winegrowing; key issues & challenges, impetus etc
- Describe current role in organisation and how this has changed
- Discuss other family members' role in the firm and how developed
- Historical / standout events that have influenced business decision making in present day
- How see own role developing in the organisation; leading on to talking more about family / organisation issues

Views on Family Involvement

- Ask about involvement of family and extended family in the business
- Ask about involvement of friends in the organisation
- How do the owners perceive the impact of their family on the running of the firm?
- Advantages and disadvantages?
- Perception of advantages and disadvantage of their involvement in the firm and of being a family business more generally.

Relations with Employees

- Ask about recruitment processes, formal and informal
- Discuss relationship with employees; how would managers describe their relations with employees, how do they communicate with them on a formal and informal relations

Relations; Stakeholders

- Involvement in local associations and other commitments
- How involved,, why involved, benefits received, social relations, impact of involvement
- Advantage of having close relations
- Description of what feel is gained from association involvement
- How relationships have been established, and how these have changed
- Dependence on exchange partners/ perception of balance of power.
- Naturally occurring or intentionally developed networks?
- Relationships with competitors;
- examples of exchanges, changes experienced during time as a winery
- Relations with buyers and suppliers;
- Contractual basis, frequency of interaction, type of interaction, length of relation, changes in industry, power in relationship
- How decide with whom to enter a relation?
- How are suppliers etc selected?

Growth and Future

- Discussion of how see organisation and own role developing in the future.
- Will company cope with growth?
- How will firm grow?
- What will involvement of family be as firm grows?
- What needs to change in order for the firm to achieve growth?
- Where do you see yourself, your family and the firm in ten years?

ACCESS NEGOTIATION: UK

Mr and Mrs [REDACTED]
[REDACTED] Vineyard
[REDACTED] Road
[REDACTED]

Wednesday 19th July 2006

Dear Mr and Mrs [REDACTED]

Re: Family Business Research

I am a PhD candidate from Cardiff University, currently undertaking research in the wine industry. I have a particular interest in family businesses, having recently completed my Masters in this area. My PhD thesis is based on a series of case studies of family firms in the wine industry in both the UK and USA, focusing on the business process and family dynamics within these firms.

Primarily, four vineyards will be involved in the research, two in the USA and two in the UK. I will travel to the USA in January next year to complete this part of the study, and hope to complete the UK comparative before this time. I am particularly interested in Parva Farm due to its family orientation and the success that has been experienced with both the business process and, of course, its award winning wines! It would also be fantastic to have a local Welsh vineyard included in the study. Mr [REDACTED] the chairman of [REDACTED] who works in Cardiff Business School, also recommend that I contact you, further to his visit to your site. In fact, many people I know have been on a visit to your site and all have thoroughly enjoyed the experience, particularly the friendly atmosphere.

I am really passionate about learning more about family businesses, it has been a much under-researched area in the UK, our knowledge lagging far behind that of our US and European counterparts. In order to fill this gap in our knowledge we need to look at those family firms that have been an unequivocal success. I am also particularly interested in the wine industry, and am keen to learn more, having had experience working in wine retailing in Dorset.

I would be very interested to meet with you and your family to explain to you further the current research in which I am involved and to discuss the possibility of your winery being a part of this study. The research would be totally independent because it is funded by the Economic and Social Research Council, an organisation financed by the UK government to fund independent, unbiased research by academic researchers.

You would truly be a great addition to a study and the knowledge that we hope to gain from this research would be valuable both for family business practice in the now and in the future. Your help would also be much appreciated. If you think this may be a possibility for you then please contact me, either by email (ScammellJF1@cf.ac.uk), or, give me a call (02920876449). Alternatively, if you would like further confirmation of my interest please call my supervisor Professor Rick Delbridge on 02920876644.

I really look forward to hearing from you

Kind regards

Yours sincerely

Joanna Scammell

ACCESS NEGOTIATION: AMERICA

-----Original Message-----

From: Joanna Scammell [mailto:scammellj1@Cardiff.ac.uk]

Sent: Tuesday, June 19, 2007 1:16 PM

To: [REDACTED]

Subject: Research Potential

Dear [REDACTED]

I write following our conversation earlier today regarding my research and your job openings. I am attaching my CV for your information (Nothing fancy in script I'm afraid - just the facts!). Please feel free to contact my supervisor Professor Rick Delbridge to confirm any details or to act as a referee. (delbridge@cardiff.ac.uk)

I really enjoyed speaking to you earlier and you got me really excited about the prospect of working with you during this season, [REDACTED] sounds like a fascinating place to be and I really hope that we are able to work something out.

I ought to take this opportunity to confirm a few things to you:

Firstly, I am fully funded by the Economic Research Council of the UK government, this means that the placement would be both entirely unbiased and voluntary. Due to the voluntary nature I will plan to travel on a tourist visa however if you suggest otherwise then I may be able to change this.

Secondly, the research is termed 'full participant observation', this means that I would expect to be totally immersed in the situation and therefore be entirely committed to any job that I were given for that period. (I will give my all to the job however I realise that you can only take my word for that!). As you will realise from my CV I have a proven track record of hard work.

The research is unobtrusive and entirely confidential in every sense. I would simply ask for some more formal interviews at the end of the process. As we discussed the rest would probably develop from informal chats. The research focuses on the dynamics of a family run vineyard and the way in which network ties are enacted within this setting. I am also interested in the family values that are translated into the vineyard and the day to day running of the firm. The other element in my research has been to look at the relationships between wineries and growers; this may be particularly relevant at [REDACTED] due to the high percentage of grapes that are sold to other wineries.

I wanted to be as transparent as possible with you so I hope that this has given you a little bit of an insight into who I am and where I may fit in with [REDACTED]. As I said, I think that the Lab job sounds like an excellent setting to conduct this research and at a really

interesting point in the season too. I would, of course, be happy to expand or clarify any points that you are concerned or confused about.

As we discussed mid August is a good time for us both, my ideal timing would be 7 weeks however I can probably stretch this to 8 weeks if this is what you require for the position. If you have a more clear idea by next week of when the grapes will be ready then perhaps we can discuss the timing further then.

Thank you again for your time and I look forward to speaking to you again soon

Kind regards

Joanna Scammell

-----Original Message-----

Joanna,

So nice to meet you. I'm excited about the prospect of having you on board for the '07 harvest.

I am meeting with my winemaking team on Thursday morning and will have a good idea about both the timeframe of your employment and a more exact list of what will be expected of the lab intern.

In the meantime, I will pass on your email explaining your research to [REDACTED] to make sure he is comfortable with it. (I don't foresee any problems, but want to make sure he is on board as he and his family appear to be the focus of your research.)

I will be in contact shortly.

All the best,

[REDACTED]

[REDACTED]

Assistant Winemaker

[REDACTED] Vineyards & Winery

ACCESS NEGOTIATION: AUSTRALIA

-----Original Message-----

From: [REDACTED] [mailto:[REDACTED].com]
Sent: 15 June 2007 17:42
To: [REDACTED]
Cc: scammellf1@Cardiff.ac.uk
Subject: Fwd: Research Synopsis

Hi [REDACTED]

Good to talk to you today. Please find enclosed the research synopsis for Joanna Scammell, it would be really good if you could help her.

Hi Joanna,

As you can see I have made contact with [REDACTED], she is the representative of [REDACTED] (WA) and [REDACTED] (Provence) in the UK and Europe. I believe a family ethos is key to these two excellent properties, so it could be an excellent case study!

best wishes

[REDACTED]

No virus found in this incoming message.
Checked by AVG Free Edition.
Version: 7.5.472 / Virus Database: 269.8.16/849 - Release Date: 14/06/2007
12:44

-----Original Message-----

From: [REDACTED] [mailto:[REDACTED]]
Sent: Wednesday, 20 June 2007 6:03 PM
To: [REDACTED]
Subject: FW: Research Synopsis

Hi [REDACTED]

This came from a customer [REDACTED], a brewery in the South. [REDACTED] is a real fan of both brands and drank [REDACTED] at his wedding. Jo is [REDACTED].

I spoke with Jo on Monday and said I would pass her request on, she has funding for a trip to Aus and would be working without having to be paid! I said I didn't know what we could do, but indicated there are lots of family businesses around [REDACTED] and perhaps she could divd her time?

Let me know what you think.

K

[REDACTED]
0044 [REDACTED]

www.[REDACTED]
www.[REDACTED]
www.[REDACTED]

-----Original Message-----

From: [REDACTED]
Sent: 21 June 2007 09:01
To: [REDACTED]
Subject: RE: Research Synopsis

[REDACTED]

This is certainly a possibility...I will need to consider timing and would be interested in the type of work activities that Jo would want to be involved in. Also, the extent of her study and the confidentiality of her report....basically, can we be provided with a more detailed outline of her requirements and intention.

Thanks

[REDACTED]

[REDACTED]

CEO

[REDACTED]

[www.\[REDACTED\]](http://www.[REDACTED])

[www.\[REDACTED\]](http://www.[REDACTED])

[www.\[REDACTED\]](http://www.[REDACTED])

mobile: + 61 [REDACTED]

winery: + 61 [REDACTED]

fax: + 61 [REDACTED]

[REDACTED]

Thanks for getting back to me. I think the best thing is for Jo to contact you directly, cc-ing me, that way she can explain what she is doing rather than getting it second hand from me.

Hi Jo,

[REDACTED] is our CEO and based in Perth, so best to catch him via email.

Speak to you both soon.

[REDACTED]

[REDACTED]
0044 (0) [REDACTED]

[www.\[REDACTED\]](http://www.[REDACTED])

[www.\[REDACTED\]](http://www.[REDACTED])

[www.\[REDACTED\]](http://www.[REDACTED])

-----Original Message-----

From: Joanna Scammell [mailto:scammellj1@Cardiff.ac.uk]
Sent: Tuesday, 10 July 2007 6:28 AM
To: [REDACTED]
Subject: Follow-up

Hi [REDACTED]

Thanks for taking the time to speak to me earlier today. Following our conversation I promised that I would right to confirm a few of the issues that we talked over:

Firstly we talked about intent and I explained that the basic aim of the study was to compare the inner workings of wineries across different cultures and institutional environments and that your firm fits perfectly as a comparison to my other cases which are of similar size to yourselves. We also discussed the interesting factor of family involvement and how it would be useful for me to compare a winery with less direct family involvement, but still heading up the ownership structure, vis a vis companies with full family involvement.

I have noted your position within the firm, and that of the current situation and want to Clarify with you again, that it is not my purpose, nor intention to interfere with any of the inner workings of the firm and its environment. Again, I can clarify that all conversations with any employees are entirely confidential and will be used for research purposes only. I am happy however, to participate in any areas of activity that you see fit for me to be involved in.

We talked over research time frames and due to the relatively isolated position of the firm and its location we both thought that a period of 4-5 weeks would enable me to 'reach the point of saturation' (!). The ideal time frame for me would be end October through November, but obviously that is your decision.

With regards to accommodation, I am happy to take any suggestions from you as to the best course of action, as explained I do have an allowance for the trip so will happily pay for somewhere for this period - the budget does not stretch to anything glamorous but perhaps someone could do with a short term lodger? I will also hire a car if you think that it will be necessary and am happy to take your advice on what you think is best.

Well, I think that is all but if there is anything else or if you want further clarification then please do give me a shout any time.

Thanks again for your time - I know you are worried that I will be bored but I think my Professor will be happy with the fact that there is not a massive social scene!!

Kind regards

Jo

-----Original Message-----

Hi Jo,

I think if you proceed with October / November as your arrival time.

Can you simply keep me informed with your progress, eg; dates etc, and I will then advise the winery.

Thanks

[REDACTED]

[REDACTED]

CEO

[REDACTED]

www.

www.

www.

mobile: + 61 [REDACTED]

winery: + 61 [REDACTED]

Coding Categories

Colour Code	Code	Area
Context	C	Contextual factors
Significant data	S	Significant factors, not fitting into categories
Involvement & HRM		
	HIFI	Family involvement
	HRM	HRM issues
	HCC	Examples of commitment / control
	HIS	Staff interaction with family
Nature of Ties		
	NIT	Internal ties (HR)
	NOG	Issues re. growth
	NOT	Nature of other internal ties
External Ties		
	ECOM	Communities
	ETA	Industry Associations
	EASY	Agricultural community
	EGG	Grower buyer relationships
	ESCROW	Supplier chain relationships
	ECOP	Competition
	EOW	Other external ties

**CARDIFF BUSINESS SCHOOL ETHICAL APPROVAL FORM:
PHD THESIS RESEARCH**

(For guidance on how to complete this form, please see <http://www.cardiff.ac.uk/carbs/research/ethhome.html>)

For Office Use: Ref Meeting

Does your research involve human participants? Yes No

If you have answered 'No' to this question you do not need to complete the rest of this form, otherwise please proceed to the next question

Does your research have any involvement with the NHS? Yes No

If you have answered Yes to this question, then your project is not of relevance to the Cardiff Business School Research Ethics Committee and ethical approval must instead be sought from the appropriate NHS Local/Multi-centre Research Ethics Committee. Otherwise, please complete this form.

Name of Student: Joanna Scammell

Student Number: 01108964

Section: HRM

Email: ScammellJF1@cf.ac.uk

Names of Supervisors: Prof. Rick Delbridge

Supervisors' Email Addresses: DelbridgeR@cf.ac.uk

Title of Thesis: Networking in Family Business: A comparative study of family firms in the UK and US wine industry

Start and Estimated End Date of Research: August 2006 – April 2007

Please indicate any sources of funding for this research: ESRC

1. Describe the Methodology to be applied in the research

The fieldwork to be carried out in the proposed thesis is in the form of qualitative research, utilising a case study design. The study will involve 4 cases (two in the US and two in the UK) and the methodology will incorporate both interviews and participant observation, and will last for a period of up to 8 weeks in each firm (on a continuous basis). The firms will be in the category of SME firms and in some cases employ only a small number of people. Interviews will be semi structured and involve both family and non-family staff members. Interviews will take place throughout the placement and with the full support of both the owner-manager and staff member involved. Participant observation will be fully overt and all staff will be made aware of the researchers presence, aims and objectives. Observation is considered appropriate due to the inherent nature of the study – that network relationships are to be observed and examined meaning observations of such exchanges are necessary for comprehensive understanding.

2. Describe the participant sample who will be contacted for this Research Project. You need to consider the number of participants, their age, gender, recruitment methods and exclusion/inclusion criteria

The participant organisations will all be family firms. In this instance a family firm is considered to be where two or more family members participate in the running of the firm and where the family has the majority ownership of the firm. The number of participants will vary between firm but will range from between five to fifteen participants in each firm and involve family and non family members, and both male and female staff. The age of the participant will vary greatly as with any family or within any agricultural setting. The UK wineries were selected randomly from the English Wine Producer Society and thereforth on a basis of willingness to participate in the research. Only participants willing to be involved in the study will form a part of the overall thesis.

3. Describe the consent and participant information arrangements you will make, as well as the methods of debriefing. If you are conducting interviews, you must attach a copy of the consent form you will be using.

Full consent will be gained from all actors participating in the study. All staff will be free to decline to interviewed if they so wish. No covert research will be undertaken. Staff will all be informed to the researchers presence by the owner-manager. A consent form will be utilised, a copy of which is attached. Following the research the companies will be presented with a report of the primary findings of the study which will protect anonymity of the participants and not include direct quotes from any participants. Written request for participation will initially be sent to the firms, stating an initial outline of the study and identifying the researcher. Following this at a meeting of participation request the researcher will explain more fully what the research entails and provide an opportunity for participants to provide questions. Full contact details of both the researcher and supervisor will be provided at this point and the procedure of the approval form and the ability to leave the research project at any point will also be explained at this time. Further information is outlined in the attached document.

4. Please make a clear and concise statement of the ethical considerations raised by the research and how you intend to deal with them throughout the duration of the project

Despite the research not crossing any major ethical boundaries. The researcher acknowledges that the method of participant observation may be considered problematic in some instances due to the fact that all members in an organisation are inherently involved in the study when some members may not desire to be so. In this case every effort will be made to ensure those individuals are not included in the study or analysis. Additionally, the researcher is aware of the care that needs to be taken when dealing with families and the necessity not to share family information with other staff members or within the family itself. The need to preserve anonymity is at the forefront of this research and steps will be taken at every stage of the process to ensure that this remains. Pseudonyms will be used in every instance of written and/or verbal documentation.

PLEASE NOTE that you should include a copy of your questionnaire if you consider the questions raise ethical issues.

5. Please complete the following in relation to your research:

		Yes	No	n/a
(a)	Will you describe the main details of the research process to participants in advance, so that they are informed about what to expect?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b)	Will you tell participants that their participation is voluntary?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c)	Will you obtain written consent for participation?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d)	Will you tell participants that they may withdraw from the research at any time and for any reason?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(e)	If you are using a questionnaire, will you give participants the option of omitting questions they do not want to answer?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
(f)	Will you tell participants that their data will be treated with full confidentiality and that, if published, it will not be identifiable as theirs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(g)	Will you offer to send participants findings from the research (e.g. copies of publications arising from the research)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>


PLEASE NOTE:

If you have ticked No to any of 5(a) to 5(g), please give an explanation on a separate sheet.

(Note: N/A = not applicable)

There is an obligation on the lead researcher to bring to the attention of Cardiff Business School Ethics Committee any issues with ethical implications not clearly covered by the above checklist.

Two copies of this form (and attachments) should be submitted to Ms Lainey Clayton, Room F09, Cardiff Business School.

Signed 

Print Name JOANNA SCAMMELL

Date 01-08-06

SUPERVISOR'S DECLARATION

As the supervisor for this research I confirm that I believe that all research ethical issues have been dealt with in accordance with University policy and the research ethics guidelines of the relevant professional organisation.

Signed  (Primary supervisor)

Print Name RICK DEBRUIN

Date 1 AUGUST 2006

STATEMENT OF ETHICAL APPROVAL

This project has been considered using agreed School procedures and is now approved.

Signed  (Chair, School Research Ethics Committee)

Print Name Joan Williams

Date 31/8/06

**CARDIFF BUSINESS SCHOOL
RESEARCH ETHICS**

Student – Participant Declaration: Anonymous Data

I understand that participation in this study is entirely voluntary and that we can withdraw from the study at any time without giving a reason.

I understand that our participation in this project will involve the student participating in and observing the activities of the organisation during approximately a six to eight week period.

I understand that I am free to ask any questions at any time. If for any reason I or any of my staff, experience discomfort during participation in this project, we are free to withdraw or discuss our concerns with the students' supervisor Professor Rick Delbridge

I understand that the information provided by me and my company will be held totally anonymously, so that it is impossible to trace this information back to me individually or my firm. I understand that, in accordance with the Data Protection Act, this information may be retained indefinitely.

I also understand that at the end of the study I will be provided with additional information and feedback about the purpose and outcomes of the study.

I, _____ consent to participate in the study conducted by JOANNA SCAMMELL of Cardiff Business School, Cardiff University, with the supervision of Professor Rick Delbridge

Signed:

Date:

Trade Agreements

The wine trade is covered under various free trade agreements and commitments entered into under the WTO for many countries – including all those under consideration in this study. There are however, a number of specific agreements relating to the wine trade:

EU Agreement – signed in 1994 and due to be finalised for revision this year. It is the Agreement between Australia and the European Community on Trade in Wine and Protocol (commonly referred to as 'The Wine Agreement'). Ensured improved access for Australian wine into the UK market, in exchange for the phasing out of European geographical terms previously used to describe Australian wine products (wineaustralia.com 2007g)

Mutual Acceptance Agreement - Multilateral treaty involving Australia, New Zealand, Chile, Argentina, Canada and the US. Called the Agreement on Mutual Acceptance of Oenological Practices (MAA) and was coordinated through the World Wine Trade Group (WWTG). Under the MMA terms, wine made in accordance with the respective country's winemaking practices can be marketed in each signatory country whether or not those practices are legal in the importing country. In January 2007, the WWTG member countries signed a wine labelling agreement, facilitating cost reductions in producing countries due to a newly standardised labelling agreement.

Free Trade Agreements – Covering a range of goods and services and addressing tariff issues and non-tariff barriers including labelling, product standards and import certification. US – UK have a FTA as does Australia – UK and Australia – US (in addition to many others involving these countries).

World Trade Organisation – A multi-lateral agreement has been set-up involving all 148 members of the WTO. WTO has aided the reduction of various tariff barriers worldwide and has introduced a range of agreements relating to intellectual property, technical barriers to change and quarantine restrictions. WTO are currently investigating the attempt by Europe to extend the extra level of protection afforded to wine and spirit geographical indications (wineaustralia.com 2007).

