

**MARKETING APPROACHES FOR SMALL SCALE ORGANIC WINE
PRODUCERS IN SLOVENIA:
PROPOSING THE DODS CLUSTER MODEL**

ABSTRACT

This inductive grounded theory study resulted in a new clustering model based on interpretations of in-depth interview and observational data from ten small-scale organic wineries in Slovenia. The growing organic Slovenian wine sector is facing significant international marketing challenges and is part of an important industry for the regional economy. Application of extant clustering literature seemed questionable. Deeper insights into how clustering actually occurred was needed to determine the usefulness of alternative models. The emergent model consists of two content domains driving marketing strategies, each with eight dimensions, (1) the nature of clustering, and (2) leaders' mental orientations.

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INTRODUCTION

The organic wine sector in Slovenia is expanding and growing in importance within the industry (Brejc 2010). Yet, there is evidence that these wineries are facing significant challenges in their international marketing efforts (Brejc 2010; Jurincic and Bojnec 2009; Marks 2011). From a macro-perspective, there seem to be two challenges. One is the challenge of marketing a niche product within a hyper-competitive international market that has not yet fully accepted them. The second is a country of origin effect related to marketing products from a region not well known for products in a category despite significant experience in producing them. One approach that businesses have used globally to create scale for international marketing efforts is clustering (combining resources and strategies), discussed by Porter and applied extensively (1990; 1998; Porter and Bond 2004). However, the Porter diamond model developed around large organizations may not apply everywhere and may not reflect the way clustering actually occurs and in particular in Slovenia's situation. Due to the lack of investigation into this kind of dual-challenge international marketing problem, additional research was needed, the first step being a discovery-oriented theory-building project.

This study's objective was to address the questions: Why do organic wineries in Slovenia have such a hard time marketing and selling their high quality artisan wines? What are the sources of their marketing challenges and how do they try to overcome them and in particular where does clustering fit in given that there is evidence clustering occurs? By building a framework within this context and later validating it, we hope to expand knowledge of how small to medium size enterprises with niche products from less well-known regions of the world can compete in hypercompetitive international markets

LITERATURE REVIEW AND OBJECTIVE

Context

Slovenia's wine tradition dates back approximately 2,400 years with between 40,000-60,000 acres of vineyards and over 25,000 individual grape producers in the country supporting over 40,000 wineries (STAT 2012), most of which are small-scale family operations making wine for home consumption. The entirety of the country produces approximately one hundred million liters of wine annually. Of the total produced, at least 90% is consumed domestically (ibid).

In the last two decades, the Slovenian wine industry has positioned itself as one of the leading quality wine producers in Central and Eastern Europe (Marks 2011). Slovenian wine growers have demonstrated that they can produce high quality wines that are internationally competitive. In fact, their production methods are considered to be among the best in Central and Eastern Europe (Marks 2011). Much of Slovenia's success can be attributed to some influence by their Italian and Austrian neighbors, as those countries have successfully produced and marketed wine for many generations. Although Slovenian winemakers have enjoyed relative success in the region, ineffective marketing remains the single greatest obstacle to global recognition (ibid). Driven by a desire to compete with New World wines, Slovenia's three largest wineries have largely discarded their traditional production methods in favor of mass-production (Brejc 2010). Consequently, Slovenia's three major wineries produce 83% of the country's exported wine, with total overall exports accounting for a modest six percent of total production. Effective exporting of Slovenian wines and enhancement of the country's brand recognition is likely to require a fundamental restructuring of production and renewed marketing strategies. One way recognition is beginning to be brought to Slovenia is for its organic wines.

The last few decades have seen an increased interest in alternative food production due to environmental awareness, health concerns, and the desire to produce high quality food (Darnhofer 2010; Goodman 2004; Pollan 2012). Because of this, local and organic agriculture has expanded at an unprecedented rate, exceeding the expansion of the food industry as a whole (Pollan 2012). These local agricultural activities are no longer considered mere producers of raw materials for the food industry; they now provide artisan products and public goods and services (Darnhofer 2005; Pollan 2012). Organic wines have been gaining noticeable attention from consumers and have become profitable in both domestic and foreign markets (Bouzdine-Chameeva and Krzywoszynska 2011). Yet, despite their improving successes, small-scale organic wine producers face substantial barriers in meeting their goal of producing internationally recognized wines and lack many of the advantages that large producers enjoy, such as “low labor cost, scale economies and fragmented ownership of land” (Marks 2011, p. 15).

Developing a stronger organic wine market requires the implementation of several strategies (Bouzdine-Chameeva and Krzywoszynska 2011). According to several scholars, the mental association between questionable quality and organic wines is one of the most decisive factors in the process of attracting/dissuading consumers to/from alternative wines (Aylward and Zanko 2008; Flint et al. 2011). Despite this barrier, “[T]he international wine industry seems to understand the benefits of organic farming” (Visconti 2010, p. 49). However, the alternative wine movement in its current form has limits within the global wine industry where local and organic products like wine generally demand higher prices and are therefore not universally affordable (Pollan 2012). Also, globalization of the wine industry compounds this problem by encouraging mass-produced wines that undercut the price of those that are locally produced (Marks 2001; Zanni 2004). An interdisciplinary concept discussed by scholars for dealing with some of these barriers such as enhancing market presence, fragmented production, small- to medium-scale individual enterprises, and geographic issues is the practice of clustering, i.e., combining resources from multiple like-minded enterprises.

The Clustering Concept

The concept of clustering has been studied and applied by several social science disciplines such as regional planning, economics, geography and marketing (Vorley 2008). An important contribution to understanding the contemporary cluster concept was made by Italian economist Giacomo Becattini (1978). Becattini, “reactivated the Marshallian idea of the ‘industrial district’ in an effort to account for the dramatic rise of neo-artisanal manufacturing in Northeast Italy” (Becattini 1978 as cited in Ditter 2005, p. 41). Becattini suggested that an ‘industrial district’, named Third Italy, represents a local production system.

The concept of Third Italy is critical to understanding the basics of the cluster concept. Third Italy represented a postwar industrial cluster of small family-based firms and artisan workshops in Northeast Italy (Boschma 1998, 1999; Boschma and Kloosterman 2005; Montgomery 2011). These were spatially concentrated forms of small- and medium-sized firms immersed mostly in rural areas that primarily specialized in leather, textile, furniture, and ceramic manufacturing (Criscuolo 1999). Clustering of these specialized enterprises enabled rapid growth, opened access to global markets, developed new niche markets, and offered various employment opportunities (Boschma and Kloosterman, 2005; Montgomery 2011).

Becattini substantially emphasized the importance of wider institutional support of clusters and personal relations between cluster members and local communities (Boja 2011). The social capital of clusters created trust between members and therefore presented a crucial key to their success (Boja 2011). Following the success of Third Italy, numerous small- and medium-sized clusters spread throughout Italy and the rest of Europe (Montgomery 2011).

To better understand the phenomenon of economic agglomeration (clustering of firms that are performing activities in the same field), researchers and policy makers have developed different cluster models (Boja 2011). For the purpose of this study we concentrate on the cluster model defined by Michael Porter (1990). This model is one of the most widely applied to a myriad of agglomeration industries and firms at a national and international level for analyzing their performance in terms of competitiveness and innovation (Boja 2011). In his work, Porter (1990, 1998) defined a cluster model based on several factors related to production capacity and links between companies and supporting institutions. This *strategy and structure* model is known as Porter's Diamond and is according to Porter "the engine that drives the cluster at microeconomic level" (as cited in Boja 2011, p. 38).

In the context of a highly competitive international wine market, winemakers from all over the world have realized that cluster approaches can be quite beneficial to their businesses (Ditter 2005; Zanni 2004). Among other advantages, the creation of a wine cluster can improve the performance of the winemakers, encourage the exchange of knowledge, and introduce innovative approaches to marketing (Porter 1998; Muller et al. 2006). While there is no widely accepted definition of wine clustering, Zanni (2004) provides a useful descriptive one:

"a peculiar rural local system, constituted by related firms and associated institutions, wine focused, spatially contiguous and linked by elements of complementarity and community. A system where rurality becomes the foundation of contextual knowledge and determinant for the production and market differentiation, resulting from the overlapping, with the same territory - of agriculture, manufacturing and service activities" (Zanni, 2004 as re-adapted from Cecchi, 2001, p. 334 and Porter, 2001, p. 199).

Despite the fact that the wine industry's activities reflect a strong tendency to agglomerate, there is a shortage of literature and research on the topic of wine clustering and agglomerations (Larreina et al. 2011; Turner 2010), with Zanni (2004) who emphasized the successes in Tuscany, Italy. Other wine clustering research mostly relying on Porter's model has examined practices in Australia (Aylward 2004), Chile (Gálvez-Nogales 2010; Giuliani and Bell 2005), Canada (Mytelka and Goertzen 2004), France (Ditter 2005), and California (Porter 1998). Collectively, this research forms much of the basis of wine cluster studies and rests on the central argument that clustering of economic activities provides economic advantages that are based upon processes of local accumulation of knowledge and collective learning. Furthermore, the argument is that cluster models encourage joint strategic initiatives and potentially can enhance local, regional and national growth and competitiveness at all levels (Centonze 2010, p. 253). However, despite the extant cluster research, one of the most important gaps that exists is the prevalence of studies on industrial clusters (Ditter 2005; Gálvez-Nogales 2010; Muller 2006; Zanni 2004) leaving unanswered important questions for agribusiness such as organic wineries and specifically, deeper understanding of contextual characteristics of small- and medium-size clusters such as relationships between cluster members, attitudes, goals and ways of working at the ground level that influence the nature, character and performance of the cluster. Due to the growing interest in production of organic grapes and wines, several researchers have identified the need to find an appropriate economic development model that would help organic winemakers enhance their market presence (Bouzdine-Chameeva and Krzywoszynska 2011; Darnhofer 2005). This study's objective was to dig more deeply into the clustering phenomenon in this context in order to move toward such a model.

METHODOLOGY

This qualitative, inductive study relied on a grounded theory approach (Glaser 2001; Glaser and Strauss, 1967), following specific grounded theory guidelines for data collection and interpretation. Grounded theory is appropriate here because it is designed for understanding how social actors solve problems in their everyday worlds. The data consisted of in-depth interviews on two occasions (one year apart) with Slovenian organic winery owners/leaders at ten wineries lasting approximately four hours each, complemented by photographs, on-site observation, and analyses of hundreds of marketing collateral including brochures, labels, packaging, and websites.

Site selection

Slovenian organic wineries were chosen as a context because the industry represents a rapidly growing agricultural product category that remains a niche market, represents a less-known but respected region of Europe, is fighting for and struggling with international recognition, and seemed from initial examination to be approaching clustering in a different manner than the contexts described in the extant literature. The desire to improve marketing and economic activities and adopt innovative approaches in winemaking at large has lead Slovenian winemakers to establish their own wine clusters – or wine consortiums as they are called in Slovenia (Jurincic and Bojnec 2006). So far, leading wine producers in the three wine growing regions of Slovenia have created six consortiums. However, the region's organic wineries who tend to be smaller have not been able to follow the intensity of production required by the consortiums (Jurincic Bojnec, 2006), and such seemed to be taking their own approach, one we wanted to explore.

Data were collected from two of the three wine regions of Slovenia. Participants were all located in rural areas with a specialization in grape growing and wine production. Participants were selected initially using snowball sampling and subsequently theoretical sampling, as they were chosen based on the evolving framework of theoretical ideas emerging within the study (Table 1).

Name*	Wine Region	Approach	Education level	Role
Vlado	Primorska	Organic/Natural	College Degree	Owner
Boris	Podravje	Biodynamic	College Degree	Owner
Toni	Primorska	Organic/Natural	High School	Owner
Luka	Primorska	Organic/Natural	High School	Owner
Tilen	Primorska	Organic/Natural	High School	Owner
Branko	Primorska	Organic/Natural	High School	Owner
Tine	Podravje	Organic	College Degree	Owner
Miha	Podravje	Organic	College Degree	Owner
Zoran	Podravje	Organic	College Degree	Owner
Ivan	Podravje	Organic/Biodynamic	High School	Owner

Table 1. Study Participant Sample (*all names pseudonyms)

Data Collection

This study utilized semi-structured, audio-recorded in-depth qualitative interviews as a primary means to collect data, augmented by observation and document analysis, consistent with grounded theory traditions. In-depth interviews, conducted in a discursive dialog form, are an extremely useful method of gaining detailed personal data, meaning, perspectives, and

rich experiential details and as such enable the researcher to develop thick descriptions and obtain a broad picture of the historical, social, cultural, and geographical origins of the observed phenomena (Glaser 2001; Glaser and Strauss 1967; Yeung 1995). All of the interviews were pre-arranged meetings that lasted between one and four hours.

The interview guide focused conversations on broad reflections by participants on their businesses and personal roles within their organizations, perceptions of the current business environment, unique aspects of their enterprises, their wine marketing strategies, the way they viewed associations to which they belonged, and eventually worked into key aspects of relational (think clustering) experiences among wineries.

Data Analyses

Verbatim interview transcripts and field notes were interpreted through a rigorous coding process that began with open word, phrase and sentence meaning unit level coding. These hundreds of free, open codes of concepts, actions, behaviors, feelings and attitudes were collapsed into categories and related to each other in a process known as axial coding. Finally, selective coding which occurred late in the project, guided selection of specific codes to shore up emergent and important framework components. This coding process was tracked and facilitated by the use of NVivo interpretative analysis software.

Interpretations emerged through a non-linear process of tacking back and forth between the data, interpretations, interpretative group discussions among research team members and the literature, a process known in grounded theory as constant comparison. This process continued until core categories and concepts became solidified and supported by numerous and varied examples and data seemed to become redundant. Data redundancy and a sense that concepts have been fully saturated is a typical place to end qualitative framework building studies.

The integrity of the process was maintained by following traditional trustworthiness procedures for naturalistic inquiry, specifically using the criteria of credibility, transferability, dependability, and conformability (Lincoln & Guba, 1985).

FINDINGS

This study's emergent framework and conclusions were developed based upon collected field data that had not been established prior to our fieldwork. The clustering framework is comprised of two critical content domains that seem to have driven marketing strategies, i.e., (1) the nature of clustering, i.e., eight dimensions describing the manner in which clustering was manifested, and (2) leaders' mental orientations, i.e., eight additional dimensions around world views, deeply-seated opinions, attitudes and feelings toward business, Slovenia's economic and social situation, and the industry (Figure 1). These two content domains appear to be significantly inter-related and prominent explanations for strategies employed. We propose that this dual-octagon clustering framework is unique among cluster frameworks in how much it is both dynamic (grounded at the actors' action level) and social (more so than simply network connection oriented). As such we refer to it as the DODS clustering model (dual-octagon dynamic and social). We further propose that the DODS clustering model has the potential to extend to other small to medium sized enterprise clustering behaviors.

The framework illustrate how participants understood and interpreted their social, economic, and professional every-day lives as they strived to succeed in the marketplace through clustering. It suggests that understanding a small- to medium-size enterprise leader's (in this context winemakers) marketing strategies requires understanding his perceptions of the key aspects of clustering itself, what we refer to as the "Nature of Clustering" as well as

his world views, i.e., “Mental Orientations”. The next sections describe each of these two framework components and their respective eight dimensions.



Figure 1. The DODS Clustering Model

Nature of Clustering

Nature of Clustering refers to how clustering actually manifested itself for study participants. As a general concept, it represents the way clustering can occur for small- to medium-size enterprises. The Nature of Clustering is comprised of eight dimensions: (1) being true to ones’ core business, (2) clarifying motivations to cluster, (3) determining rules and guidelines, (4) reconciling collective needs, (5) determining member characteristics, (6) managing the dynamics of cluster membership, (7) recognizing drawbacks and limitations, and (8) envisioning the future.

Being true to one’s core business

As the concept of partnering with like-minded enterprises emerged, it became evident that at a minimum, each enterprise needed to be true to its core business, to be authentic. In this study’s context that meant practicing organic wine production and remaining true to that, being fully immersed in what that meant and what one’s enterprise stood for.

The organic approach to grape and wine production was not originally a common practice at all of the participants’ farms. Winemakers in Slovenia have been strongly influenced by aggressive lobbies that encouraged the application of chemicals to vineyards and wine cellars to increase yield, create the potential to scale in size and produce consistent results. Luka recalls, “In 1980 or 1985, ... the industry’s viewpoint was that you must exploit farming to its maximum. This concept brought chemicals as well. And thus chemistry entered agriculture. Back then it was presented as if you’re the only one who has something [to get] out of it, ... there was profit for those who introduced chemicals to the market.” This

approach to wine production, now conventional, is still the most common practice in Slovenia's wine industry. Luka decided that organic winemaking would be a way to return to the product's origins: "I thoroughly researched the old path that belonged to the elder people." He further described, "Grapes represent a treasure to me - I see them as a raw material, for others..."

Similarly, Boris always knew that something was wrong with using chemical fertilizers; "I always felt bad (sick) back then when I was still a conventional winemaker and sprayed the vineyard with chemicals until I came across the knowledge of biodynamics and organic winemaking...and am now committed to it."

Ivan was concerned with reconnecting with nature and the traditions of organic winemaking by focusing on working in harmony with nature, putting back in what he took out, and conserving the landscape, flora, and fauna, "If we want to understand nature, we must go back in time before the chemical revolution appeared. That is when our great grandfathers didn't know about substances like sprays and fertilizers."

Participants believed to their core that this way of running the enterprise was "the right" way to do it. There was a deep-seated passion for practicing with precision a way of operating that was true to their beliefs and that was authentic. Each participant winemaker shared a set of values focused on environmental awareness, quality above quantity, and the desire to produce the healthiest grapes and wine possible through the preservation and enhancement of biodiversity. They strived to remain true to this production philosophy.

Clarifying Motivations to Cluster

The second dimension of the nature of clustering is clarifying motivations to cluster. Participants spent considerable time contemplating and discussing their motivations to cluster amongst each other. These motivations included cost reduction, increased marketing effectiveness, and gaining energy/knowledge through shared values.

First, while cost reduction was not cited as a primary reason for switching from conventional to organic wine production, participants emphasized strongly and consistently that marketing and promotional cost reduction was a primary reason for clustering. Wine fairs are a major source of advertising for wineries; they are also one of the most expensive. Zoran recalled going to a wine fair in Novi Sad, Serbia: "I went to Novi Sad by myself. The cost of the fairground was 10,000 Euros." He then praised the benefits of clustering, as "expenses would be divided up" when a cluster of smaller wineries joined forces. He lamented not having clustered at the time when he admitted that "I wouldn't have minded [paying the 10,000 Euros] if there had been five more winemakers with me." Vlado, recalled a similar experience at a wine fair in Ljubljana, Slovenia. "Instead of buying four tables for 2,000 Euros, you only take one and pay 500 Euros and thus expenses are much lower."

Second, winemakers can enhance their effectiveness by clustering. When Vlado decided to establish a cluster with three other winemakers, he did so in part because "a cooperative of four people [is] perceived differently than if you are on your own." Additionally, if winemakers identify themselves under one cluster brand, they all benefit from the advertising of every other cluster member. "We would actually be achieving a synergy by collaborating. Because if the whole region was more known, more people would come here and retail sales would improve" (Zoran).

Third, the results show that sharing the same values is of utmost importance to the participant winemakers. This is because the resurgence of organic wine production in Slovenia is still in its infancy. Consequentially, the number of organic winemakers is relatively low, and they therefore have few colleagues with shared values. Joining a cluster

with other likeminded wine producers was a tremendous energizer for all of the participants as they were able to exchange experience and knowledge. Socially, they were able to find common ground with other organic winemakers. Toni praised clusters as a place where people could exchange experience and knowledge, and “fuse together” with others who have the same philosophy and interests. Vlado found companionship in the fact that “each [cluster member] had already been involved in organic farming. Nobody needed to be persuaded, we all believed in a common thing.”

Determining Rules and Guidelines

While shared values were important, they were insufficient on their own to sustain business relationships. Participants shared stories that revealed that relationships often came under stress when one party was following different approaches from the others. As such, defining member rules and tasks was a critical issue. Participants discussed at length how they formally and informally attempted to manage the development and enforcement (or elimination) of rules and guidelines.

For most participants, joining the cluster enabled them to establish quality control methods and define a strict set of rules. According to the participant, the international and national certification offices did not set high enough standards for the production of organic wines. These “lax” standards allowed winemakers to use methods that were non-organic, leading many large-scale winemakers not truly organic to retain an “organic” label. “If you have a certificate for organic wine, there is no warranty that it is organically treated in the wine cellars” (Luka). Participants were therefore worried that the value of their truly organic wines was being diminished by loosely set rules that subvert their mission to create high quality organic wines and damage the national brand equity. “There are precise rules in [specific cluster name] and they should be followed by every winemaker” (Luka). Boris, Tine, Miha, Zoran and Ivan, indicated that developing rules was a key part of being a member of their respective clusters but they were not nearly as rigid as other clusters such as Luka’s. Thus, each cluster seems to determine its own rules and guidelines that facilitate the collective objectives of the cluster. However, there is not always agreement among cluster members. Ivan for example disagreed with his cluster’s certification rules because the cluster that he was attending was not homogenous enough in their heightened organic standards and the wineries were far apart geographically.

Reconciling Collective Needs

Each of the participants expressed needs that fell into two major categories: the importance of future expansion to ensure that their clusters would continue to be sustainable, and the need for third parties to handle marketing and collaboration. These third parties would have two major duties: interfacing with foreign markets for export, and facilitating collaborative endeavors with other wine clusters and independent winemakers. Participant stories on these specific contextualized concepts were interpreted at a more abstract level as manifestations of a reconciliation process whereby members came to agreement on their collective needs.

At the specific level, the third parties were determined as potentially valuable to cluster members since the greatest challenge that clusters currently face is their lack of export capacity, due to no representative for foreign markets (e.g., Vlado). Some study participants expressed a desire for entrepreneurs to assist them in accessing foreign markets. Zoran stated, “I think there is a great potential in presenting wines together. However, somebody should collect wines from all winemakers, they would present them to this person, and then this person would learn certain things. I think this would be a great success.” We propose that,

beyond the general notion of need reconciliation, third-party international distribution and marketing expertise will arise as a common collective need about which members of any cluster of small enterprises desiring international expansion will debate.

Determining Member Characteristics

An important aspect to clustering is the determination of who should be in and who should not. Participants shared stories revealing that the characteristics of cluster members can be either homogenous or highly heterogeneous. That said, the collective characteristics of cluster members influenced behaviors, structures, success and growth of the cluster. Participants did agree on several characteristics critical to cluster success about which they would discuss and refine.

The willingness to share and spread knowledge of organic wine production was one of the most important characteristics of members working in a cluster. “I am open to this, I see no obstacles here. If anyone needs advice, I can give it to them” (Miha). “I am social, so I like to help others if they decide to start with it” (Toni). “The future is in informing people - to make them aware of the importance of organic production” (Vlado). All of the participants shared the idea that social and professional interaction with others possessing the same interests and values is highly rewarding and enjoyable. “Because people who produce wine this way are slightly different - you can notice that they are more cordial. And I believe that I could socialize much easier with these people than with conventional ones” (Zoran). The nature of clustering at the abstract level involves working together to determine the characteristics the group wants in its member enterprises and those characteristics are likely to include a willingness to share knowledge and be socially connected to other cluster members.

Managing the Dynamics of Cluster Membership

Cluster membership was found to be dynamic, with enterprises joining and leaving specific clusters as well as becoming members of multiple clusters depending on their goals. Eight out of ten participants indicated that they were members of more than one wine cluster. Selection of a cluster seemed to be determined by one or more of four factors: approach to wine production (i.e., organic, natural, biodynamic), geographic location of the wineries (i.e., Slovenia, Austria, Italy, France), enterprise size (small, medium, and large-scale), and size of the cluster itself (few members to 50 or 60).

Vlado, observing the benefits of small-scale clustering, noted that “[W]e are a small group of people who can gather in fifteen minutes, go to the fair in Ljubljana together, have a joint center, a mutual importer. This is much more difficult to do if there are fifty to sixty people, but you have other projects then.” Tilen enjoyed the small nature of his cluster because “A small association as ours - we go around the world, rent a castle [house] or hotel or something similar for two days and present ourselves. Recently we were in New York, now we are going to Oslo.” “It is interesting because I do not know any association of four or five winemakers. The associations I mentioned before are all bigger - fifty winemakers” (Vlado).

Vlado, Toni, and Branko all joined a large-scale organic wine cluster in Italy, while Tilen joined a large-scale biodynamic wine cluster in France. Each of the participants indicated that they joined those international clusters in order to increase their recognition on a larger scale in England, France and the United States and China.

Recognizing Drawbacks and Limitations

Part of clustering involves recognizing the limitations and drawbacks of clustering itself; it is in the nature of clustering to doubt its perfection. Problems tend to arise during the lifetime of a cluster, especially in its infancy. During this formative time, rules are written, tasks are delegated, and autonomy is relinquished. Cluster members have to abide by rules that are often much stricter than they faced when they were independent winemakers, and as a consequence independent winemakers may not recognize the benefits clustering offers them immediately. After the initial recruitment of members and formation of the cluster, many cluster members are left thinking, “What now?” While the idea of clustering may be appealing, without the knowledge and action to supplement the formation of the cluster, it may stagnate and die. Participants shared insights and stories that revealed this healthy recognition that clustering is not all positive and comes with limitations. For example, sometimes projects don’t succeed as conceived. “This was the project. I don’t know how much profit this project made...I don’t think anyone sold any wine because of it. All that is organized by cultural workers and half-municipal jobs. This stopped being interesting after some time and it stays at a certain level. There aren’t any tangible results” (Zoran)

Boris, perhaps the biggest critic of the cluster approach, stated that “Having an association, definitely has a certain power. It connects us, but every group in a way limits you. I believe in certain development and growth and I have always loved being in a group, but whenever I felt limited, I withdraw...All these associations unite different structures and people. And once you see that you are just a decoration to them - they are the ones who do business and we are there to bring philosophy - than I thought to myself, it’s a shame to give myself away to this mass of people who don’t understand.”

Envisioning a Future

The final dimension of the nature of clustering involves a collective envisioning of what the future may hold. This vision-sharing component energizes a cluster. That said, amongst this study’s participants, the future was one of reserved idealism and hope. They recognized clustering as something they would like to work toward improving, but each participant had their own reservations about the future of the cluster approach and how far they could take their specific cluster. Miha felt that “There is a chance. It’s a matter of agreement, but I don’t know if people are mature enough for this”. Ivan was hopeful as long as the self-imposed heightened organic standards remained in place. “I see myself in a certain association of farmers who would be oriented to sustainable development. I see myself here and I would gladly accept this. But it must be this way in the vineyard as well as in the cellar. Nothing can be added. And a strong foundation is a must.”

Mental Orientations

The second key component of our proposed dual-octagonal clustering framework represents participants’ mental orientations. Due to space constraints, we devote less attention to each individual dimension of the eight that comprise mental orientations. However, like the nature of clustering component, each one of the eight dimensions is supported by numerous participant comments and codes in the data.

Mental Orientations refers to participants worldviews, i.e., the way they view themselves and their environment. Our interpretations revealed that the way participants spoke and the stories they told suggested their worldviews significantly affected the way they manifested clustering which together affected marketing strategies chosen. The eight dimensions of mental orientations include (1) we/they thinking, (2) perceiving barriers and threats, (3) perceiving customer views, (4) defining “traditional”, (5) feeling fear, (6) feeling confident, (7) assumptions about added value, and (8) feelings of lack.

We They Thinking

Participants had interesting ways in which they described who was “like them” and who was not “like them”. This is classic “ingroup-outgroup” theory in social psychology (Tajfel, 1974). Making the switch from conventional to organic wine production challenged the majority of participants, and many adjustments had to be made. The set of seven “we/they” pairs we discovered include (a) organic/conventional winemakers, (b) organic winemakers/educational institutions, (c) organic winemakers/governmental institutions, (d) organic winemakers/different organic winemakers, (e) members of organic clusters/members of other clusters, and (f) Slovenians/Other nationalities. One example of many that we could offer that reflect this kind of worldview is Ivan’s comments where he stated that organic winemakers’ “way[s] of thinking” are different from conventional winemakers, criticizing the “exaggerated use of protective agents: mineral fertilizers, pesticides, insecticides, and others. Conventional winemakers don’t see the opportunity in organic wines as a way for nature to express itself in a certain way, but as a problem. That seems absurd to me.”

And not all “we” thinking is positive for the “we” group. For example, some participants saw neighboring nations’ policies as more supportive of the industry than Slovenia was.

Perceived Barriers and Threats

Participants held deep-seated views that there were numerous barriers and threats to their success. Many saw Slovenian wine as facing numerous barriers: being unknown or misunderstood internationally (country of origin effect), unknown as organic, produced by small enterprises, lacking in standards, geographically challenging, strict import/export laws, the global recession, and the lack of a domestic market. Despite the specific barriers perceived, the worldview was to “see” many barriers to success. For some members this posed a positive challenging motivation but for most it contributed to frustration and fear.

Perceived Customer Views

Participants held views about customer perceptions. These assumptions had become part of their worldviews. One assumption was that customers purchase organic wines for quality not because they are organic. However, participants assumed that their organic products were not valued or understood amongst Slovenian consumers. “People didn’t understand me then, just like many don’t understand me today” (Ivan). Tilen perceived that his customers had to overcome a taste and learning curve to truly appreciate his wines. The overarching view of customers could be stated as “customers don’t initially know, appreciate or understand us but when they are brought into the fold, they will love us.” This mental orientation may pervade enterprise leaders of small clusters of small enterprises anywhere.

Defining “Traditional”

All ten of the participants echoed the sentiment that cultural patrimony and memory are worth preserving. By rediscovering autochthonous (natural plants that grow from the earth without human intervention) grape varieties and ways of making wines that date back centuries, the study’s participants have been able to return to a more “traditional” state of grape growing and winemaking. In their worldviews, working toward “tradition” was paramount. Part of this tradition included what would be traditional for their specific wine regions, including “orange wine.” It was simply assumed one “should” seek to be traditional.

Feelings of Fear

Feeling fearful seemed to be a constant underlying sentiment. The professional fears of the participant winemakers varied greatly, but the one common trait that they shared was that

their fears were of people and man-made institutions rather than nature and natural disasters. Vlado expressed how scared he was that public opinion had turned against farmers because the media portrayed them as having new tractors and lavish lifestyles at the expense of the rest of the population through high food prices. Tilen spoke of his fear of market forces, saying that it takes “at least ten years” for consumers to get familiar enough with a wine that it starts selling well. Zoran expressed the same sentiment about the market, and decried having to pay attention to the commercial aspect of organic wine production. Fears were also associated with large corporations, governments, and even Slovenian’s lack of understanding.

Feelings of Confidence

Although the study’s participants expressed many perceived barriers and fears, there was one thing the participants were very confident about: that they produce high-quality wines. Tine was proud of the fact that winemakers in his region had started exporting to France. To him, this is “proof that the French have realized that there are wines that are possibly better than theirs.” He expressed his confidence in his skills by claiming that he had “mastered” the technique of growing grapes organically. Perhaps more humbly, Ivan simply said “we are doing the right thing.”

Assumptions About Added Value

Participants held the view that in order to succeed they need to demonstrate numerous ways in which they added value to (created value for) consumers. The organic label itself that used to add value had lost much of that over time. The word “organic” was no longer enough, especially when the term is so loosely defined and abused. To add more value, some of the participants have started to use the “artisan” label in lieu of or in addition to the “organic,” “biodynamic,” or “natural” label. The key here as a dimension of a mental orientation is the view that seeking value-added differential advantage is necessary; it is assumed to be true.

Feelings of Lack

The last of the eight dimensions of mental orientations is feelings of lack. Participants held core views that “they” lacked a great deal. They seemed to think they lacked knowledge, resources, cooperation, support from institutions, and access. On cooperation for example, participants described the culture of Slovenians’ is to be individualistic, even within their own nation which drives them to avoid cooperation. This mental orientation would clearly influence the likelihood and nature of clustering.

DISCUSSION

The dual-octagonal cluster model (DODS) that emerged from this study proposes that the mental orientations of leaders of small enterprises will affect the nature of how clusters in which they are involved form and get managed. We offered eight dimensions of the nature of clustering as well as eight dimensions of mental orientations. Together, these clustering components drive the marketing strategies the clusters as well as the individual enterprises select as appropriate. We did not strive to offer one best way to cluster nor one best way to market. Instead we exposed a dynamic, action-oriented, social process of how clustering happens. We offer an alternative to the extant models. Clustering is a process with constant change in strategies, memberships, rules, visions and so forth. It is also a collective culture of people, making it social and filled with all of the potential and complications of social systems.

Limitations and Further Research

Findings from this study may be limited by the small number of organizations examined even though these were examined in great depth. They may also be limited by the

product market context as well as the economic situation within which Slovenia exists currently. Future research ought to be both inductive to expand this framework if warranted and deductive to test both the concepts and their relationships to performance outcomes

Implications

Findings from this study suggest that Porter's strategy and structure diamond clustering model does not capture the reality of how clustering in this context actually occurs. The model proposed here draws upon, reveals and connects to social-psychological and micro-culture theory offering a more human-actor perspective on clustering.

Managerially, the framework can be used as an initial diagnostic tool for small to medium size enterprises in economically struggling regions of the world competing to enter the global competitive landscape to reflect on how they are thinking about the business environment and the strategies they employ as they attempt to form a collective, like-minded clustering entity.

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