

## TRUST RE-DEFINED IN A REGIONAL CONTEXT

SUSAN M. CAPLE, *University of La Verne*

---

*“Union gives strength.”*

-- *Aesop, The Bundle of Sticks (“Quotations”, 2009)*

*Many forms of business relationships have been researched. Two examples of relationship structures are business clusters consisting of geographically proximate competitors and networks comprised of interdependent firms cooperating to efficiently deliver products and services to end customers. Research indicates that a key factor for successful business relationships is the existence of trust among the firms to work in a combined effort to meet specific business objectives. A qualitative, single-case study of the Central Otago Wine Region in the South Island of New Zealand revealed how the constituents of the region collaborated to attain global recognition of the wines produced there. A key finding was how the members developed their own meaning of trust in their collaborative efforts contradicting previous research.*

---

### INTRODUCTION

Firms are developing closer relationships with other companies to achieve market growth, take advantage of new opportunities, or reduce costs (Anderson & Narus, 1990; Dyer, 1997; Möller, Rajala, & Svahn 2005; Ritter, Wilkinson, & Johnston 2004; Rosenfeld, 1996). Rosenfeld (1996, p.247) explains the concept of collaboration this way: “They [firms] engage, both formally and informally, in joint activities such as co-marketing, co-production, shared resources, and joint product development.” Because of the advantages of collaboration, academics and practitioners have quite recently found new relevance in studying interaction, relationships, and trust among competitors, buyers and sellers, end-users, and supporting institutions to understand how they operate (Ritter, Wilkinson, & Johnston, 2004).

One such relationship structure relevant to this study is that of a *business cluster*. A business cluster comprises firms of a like industry whose relationships are place-governed, that is, they are geographically proximate to each other. Such clusters include competitors, suppliers, buyers, and supporting organizations. The member firms of a cluster may collaborate to

present a positive image of their products and services to the world, or become innovative when they share information and resources. Porter (1990) was one of the first to indicate that geographic proximity in firms of a like industry provides a foundation for open communication and the continuous development of industries and ultimately, a nation. A gap in the literature is the nature of trust in long-term relationships among the firms purportedly necessary to facilitate collaboration.

Another extensively researched relationship structure is a *network*. Business networks are comprised of suppliers, buyers, and other institutional stakeholders that are not necessarily geographically proximate. One identifiable activity is the production and delivery of products and services through their interdependent relationships (Achrol & Kotler, 1999; Dyer & Nobeoka, 2000; Ritter, Wilkinson, & Johnston, 2004; Wilkinson, 2001; Wilkinson & Young, 1996). Research on networks has captured the interest of marketing academics and practitioners over the past thirty years, evidenced by the number of journal articles published in a broad range of literature.

One approach to the study of networks is derived from the work of the Industrial Marketing and Purchasing Group (IMP) in Europe. IMP theories are pertinent to this study

as their major research finding is the connection between business interaction, resources, and relational bonds (Håkansson & Snehota, 1995). It is puzzling why business clusters have not been studied from a network viewpoint, as relationships facilitating the exchange of knowledge and resources is central to the success of business clusters. This research adopted the approach that a business cluster is a type of business network, although the members of a cluster are geographically proximate and achieve specific benefits as a consequence. As such, a particular business cluster was studied from a network, interaction approach using a case-study inquiry and in-depth interviews. An emerging result of the research was the understanding of the role of trust in regional collaborative relationships.

### The Importance of Trust in Clusters

The business cluster concept involves the cooperation of geographically proximate horizontal (like kind) and vertical firms (supplier-buyer) firms to enhance their market position. Clustered or localized trading arrangements can be traced to early periods of civilization in ancient caravansaries in Asia and medieval marketplaces in Europe. Marshall (1910, p. 268) referred to “localized industries” as a straightforward historical progression, because original groupings of businesses were formed around favorable attributes such as fertile soil, metal reserves, and natural transportation accessibility.

Advancing Marshall’s theory of industrial community to the 20<sup>th</sup> century, Porter (1990) noted that business clusters were able to attain and sustain competitive advantage. Through proximity, competitors had constant contact with each other and were able to collaborate, providing channels for diffusion of information resulting in continuous business improvements.

A business cluster is delimited by several characteristics. First, although there are no physical boundaries on a business cluster or region, the firms are concentrated in a geographic area and they are *interconnected* in

some manner in the same industry. Firms are not only linked within cluster-specific industries, clusters within different industries can be connected through shared raw materials, technology requirements, and trade associations.

Because of physical proximity and frequent personal contacts, firms in a cluster tend to develop long-term trust in each other. Trust could be defined in a cluster context as dependability upon members behaving in predictable ways and acting with integrity. Trust is important in collaborative relationships because firms are reliant upon each others’ abilities and truthfulness to obtain favorable results. The concept would seem to be an aberration between firms in a competitive environment, however, trust facilitates inter-firm information exchange and dissuades firms’ selfish, short-term fiscal behavior in a thriving cluster (Porter 1990). The facilitation of information flow through trust, and also goal congruence (working together for a unified goal), are two defining categories in Porter’s delineation of key factors that facilitate information exchange within clusters.

It is notable that universities represent a type of cluster distinct from the business discipline. Typically, universities within geographic areas share resources such as equipment, space, instructors, curricula, and collaborate on research to enhance deliverables to students and to elevate the images of the participating institutions.

Other cluster research supported the concept of trust. Powell (1987) emphasized the important aspect of this closeness or proximity in clusters because it facilitated face-to-face communication. Lives of people in cluster firms become entwined through many years of communication, adaptation, and sharing, therefore exchanges are established on reciprocity and reliability. Corno, Reinmoeller, and Nonaka (1999, p. 386) indicated “common languages, experiences, and culture within districts favor the development of relationships at the intimacy level.” Individuals’ interactions

can fluidly expand from business to social contexts resulting in what Keeble and Wilkinson (1999) called embedded relationships. Also, individuals within the firms avoid sub-optimal behavior by providing correct information, respecting agreements, and not passing on defective products or establishing barriers to progress (Maskell, 2001). Knowledge transfer is facilitated by trust and the resultant collective learning process among cluster companies therefore abates uncertainty and augments innovation (Bramanti & Ratti, 1997). According to the literature, trust among the people in a cluster is the critical underlying factor in its thriving existence.

### **The Importance of Trust in a Network**

The term 'network' applied to the business environment is the connections between businesses and other institutions (Achrol & Kotler, 1999; Håkansson & Snehota, 1995). It could be argued that an early modern form of business network was the distribution channel. The 'channel' metaphor suggests a linear rigidity which is sometimes useful in understanding primary linkages between firms and their markets, but is a theoretical simplification.

Researchers in the 1950s and 60s built upon behavioral rather than competitive theories (Alderson, 1965). In the United States, Interorganizational Theory gained support, delving into the manner in which a selling firm dealt with conflict, cooperation, and control within a distribution channel. As channel studies began to move away from the isolated dyadic perspective and to involve many more relationships, theories became more complex (Anderson & Narus, 1990; Dwyer, Shurr, & Oh, 1987). In Europe and Australasia, the Industrial Marketing and Purchasing Group (IMP) developed the Interaction Approach (Håkansson, 1982). In contrast to Interorganizational Theory, the IMP Group in Europe was conducting research between firms with an emphasis on interaction, relationships, and trust (Ford, 1980; Ford, Håkansson, & Johanson, 1986). The Interaction Approach is

concerned with business relationships and how interaction between members aided the formation of a network (Ford, Håkansson, & Johanson, 1986). Social exchange may occur in which mutual trust is established in personal interaction after successful exchanges. Partners assume their requirements will be met, open communication among various levels in each organization occur, and each company adapts to the other concerning products, information, financial terms, and in social exchanges (Ford, Håkansson, & Johanson, 1986).

In networks, similar to business clusters, relationships are developed over time and partners trust in each other to perform required tasks. For both clusters and network, an underlying factor is trust between constituents. Much of the research on networks has been performed within the marketing discipline with an interaction or relationship viewpoint. Paradoxically, much of cluster research has been conducted from an economic perspective with little in-depth study of relationships. In contrast, network research in marketing concentrates on the formation and maintenance of relationships involving trust, therefore for purposes of this study, a regional cluster was considered a type of network and was researched from a *network* viewpoint, contributing to both network and cluster literature and managerial practices. Because of the extensive support in the literature of the existence of trust to facilitate collaboration in a network environment, that issue was expected to emerge as a common key factor in this study.

### **Additional Business Relationship Structures and Trust**

It is recognized in this paper that the body of research on business relationships is immense. Morgan and Hunt (1994), for example, describe relationships between suppliers and manufacturers, service providers and clients, strategic alliances between firms and competitors, partnerships between non-profit and for-profit companies, alliances for research, within channels of distribution, between buyers and sellers, functional departments within a

company, employee and firm, and within strategic business units. Brinberg (1998) expands strategic alliance research by discussing the factor of control in co-operative relationships such as marketing and technology links, sole-source providers, and joint ventures. Sole-source supplier alliances, such as Kieritsu in the Japanese auto industry are discussed (Nonaka & Takeuchi, 1995). Guanxi is a Chinese structure of relationships in which long-term relationships connected to business has deeply embedded social and cultural aspects (Park & Luo, 2001). Additionally, Brandenburger and Nalbuff (1996) introduced the idea of co-opetition relating to the simultaneous occurrence of competition and cooperation among network players incorporating a management perspective of game theory. Batenan, Edwards, and Levay (1979) began examining the idea of cooperatives in which firms in the same industry, such as agriculture, cooperate to share costs and develop awareness of a particular product category.

Several comments are noteworthy concerning business-relationship research. First, the plethora of overlapping business relationship and network literature would seem to assist in the explanation and clarification of relationship structures. Instead the different veins of literature make delineations and definitions more perplexing. However, it is not the purpose of this paper to investigate and untangle network and relationship literature. What is significant in this study is that the factor of trust is embraced in literature on business relationships, clusters, and networks. Academics agree that the level of trust or reliability on partners is a key determinant factor in the long-term stability and richness of relationships.

### **Context of the Study – The Central Otago Wine Region**

From modest beginnings, the wine industry has grown into a global marketing entity. In recent years, the industry world-wide has realized moderate growth, however, it exceeded \$107

billion in 1995, increased to \$263.8 billion in 2009, and is expected to grow to \$291.5 billion by 2014 (“Wine Global”, 2010). One of the New World producers is New Zealand, whose wines have risen to the forefront of global wine popularity in the last 25 years. The wine industry contributed \$. 98 billion to New Zealand’s total GDP of \$126,679 billion in 2009 (“Gross Domestic Product”, 2010). Although the impact of the wine industry on the New Zealand economy seems small, there is more to the story. The New Zealand wine industry has a unique niche in the premium-wine marketplace with excellent quality and distinctive wines.

The Central Otago Wine Region in the South Island of New Zealand is one of 10 wine-producing areas in New Zealand and is the empirical research setting for this study. This region is contributing to the international recognition of New Zealand wines through the distinctive, premium Pinot Noir produced there. Decanter, a respected UK wine magazine, indicated that Central Otago “has made a name for itself producing consistently good Pinot Noir to rival Burgundy and Oregon” (“Top Ten”, 2009, p. 16).

At 45° south, this is the world’s southernmost winemaking region and also New Zealand’s highest as it is a mountainous area. With over 100 wineries, this wine region began seriously producing premium Pinot Noir and Riesling in the 1990s. However, production is not substantial with hot, dry summers and snowy winters and limited desirable land, resulting in a precarious grape-growing environment (“Wine Regions”, 2008). The region consists of six sub-regions: Alexandra/Clyde, Bannockburn, Gibbston Valley, Bendigo, Cromwell, and Wanaka.

A typical profile of wine-growers today in Central Otago resembles the characteristics portrayed by the early wine pioneers who struggled to grow grapes. Although many have recently moved to Central Otago specifically to produce wine, few have inordinate experience in the wine industry (Buchan et al., 2000).

Because of its embryonic stage of growth, the region is lacking professional wine business management, viticultural (vineyard management), and vintner (winemaker) experience. The scarcity of experience would seem to be a critical weakness in a region considered especially onerous for grape production. The apparent deficiency in expertise added to the need for the wineries to collaborate and exchange knowledge, has been discussed in previous business cluster research. The profile of this wine region, therefore, was deemed ideal for this type of study.

Several wineries formed the Central Otago Winegrowers Association (COWA) in 1984, a volunteer-membership association. COWA's purpose is to provide assistance and training in quality vineyard management. Central Otago Pinot Noir Ltd. (COPNL) was added in 2002 under the umbrella of COWA and was formed exclusively to provide marketing assistance with exporting. Together, the wineries have agreed to a self-imposed, wine production standards including quality and growth restrictions ("COWA", 2007).

COPNL's marketing strategy relies greatly on the region accepting a unified market positioning for the region. The mission statement was written in early 2003: "To promote Central Otago as a premium international wine growing region through its commitment to quality and distinctive wines." (Harmon, 2005, p. 3)

The formal functions of COWA and COPNL and the activities they promote are visible and easily identifiable. However, there seemingly would be other forms of interaction and collaboration supporting the unified idea of the regional image of Central Otago. This study endeavored to determine how the less obvious and discernable means of collaboration occurred between winery personnel. An important factor emerging from the study was the role of trust in the relationships of the regional constituents.

## Methodology

Because the Central Otago Wine Region exemplified many cluster characteristics, such as geographically proximate competitors seemingly collaborating to enhance the global image of the products produced in the region, it was an ideal context for this research. The method of research was a qualitative, single-case study involving understanding the individual views of the actor firms through interviews with the vintners, viticulturalists, and owners/managers about how and why they collaborated. Qualitative case research is often used when the research problem addresses a 'how' and 'why' question. This is because case research can be used to explain phenomena rather than quantify them (Perry, 2001). In this research, emphasis was on the process and nature of collaboration, or *how* winery personnel collaborate, therefore the case study approach was appropriate. It was important to gain individual input from the participants to determine similar or contrasting data about how collaboration did or did not occur for the purpose of determining a regional perspective.

A primary concern in network research is delimiting the boundaries of the network for case study. Halinen and Törnroos (2005) propose a useful *focal net* framework to assist in the design of a case study of business networks. A focal net includes those actor firms and their representatives who are chosen as key informants because they are able to respond knowledgeably to the central questions of the study. In the study, actor firms were represented by the vintners, viticulturalists, and owners/managers. These winery personnel were chosen as participants as they are at the center of wine production and marketing within their wineries and the region.

The importance and meaning of trust linked to relationships and collaboration in the region emerged through interpretation of the data. Twenty-four owners, vintners, and viticulturalists were interviewed with a final interview with one of the wine-producing

founders of the region. The participants were chosen based on several criteria:

1. Experience and expertise in the region.
2. Represented a continuum of new to old wineries, which typically aligned with smaller to larger production.
3. Represented all of the six sub-regions of Central Otago
4. Primarily produce Pinot Noir as that wine varietal is tightly linked to regional recognition
5. Produce their own wine and bottle single-vineyard (bottled wines come from one specific vineyard) wines, so they employed vintners who were important respondents in the study.
6. Were members and non-members of COPNL (the regional association formed to promote regional wines) because the concept of collaboration could differ among them.

Open-ended interviewing was used, although an interview protocol was developed.

### **EXHIBIT ONE: Interview Protocol**

#### **General Background**

1. Describe the background of your winery (CO tradition)
2. Tell me about your personal background in relationship to the wine industry (where were you before \_\_\_\_\_?).
3. What do you see for the future? (Sub-regions, environment, organic) (end of interview)?
4. What are your individual philosophies of winemaking/viticulture? (ex. Organic, non-interference, experimentation)

#### **Primary Objective**

The main aim of this study is to evaluate the nature, process, and role of collaboration among competing firms in a region.

1. Who (winery personnel) was important to you in the beginning – now? (Actors)
2. What sorts of things did you rely on other people for – equipment, advice, contacts, etc.? (Resources)
3. How are new wineries accepted by the established wineries? (Actors, activities)
4. What formal associations do you participate in about winemaking/viticulture? (Activities)
5. What other regular or formal activities are you involved in that would somehow help the region as a whole? (Activities)
6. Informal activities? (Activities)
7. How do you individually contribute to the region's success? (Activities)
8. It strikes me that the wine people in CO must have great social lives in that you are close to each other and wine is involved! Would you care to share information about that? (Activities)
9. What impact has isolation had on the region?
10. What role, if any, does your constant struggle of “wines on the edge” have in collaboration between the wineries?
11. How do you feel about the movement of personnel from winery to winery? About producing wine for each other?
12. What importance would you place on having young people moving into the CO wine industry?

Information gathered included a description of their responsibilities, who they relied on for know-how and working knowledge to develop competencies and capabilities, all formal and informal associations, and their descriptions of and reasons for collaboration or no collaboration within the region.

After the interviews were transcribed, content analysis was used because this method has been generally accepted as a useful means of textual analysis by researchers (Silverman, 2001). The purpose of analysis was to reduce the overwhelming amount of data to enable the identification of useful themes (Weber, 1990). The interviews were transcribed by an outside professional, then read in detail and significant statements were coded descriptively. Because the main purpose of the research was to determine how collaboration occurred in the region, several codes emerged connected to the concept of working together to produce quality wine. The descriptive codes or categories across all the interviews were reviewed to see how they linked together, and to identify ideas which do not seem to fit. A qualitative data analysis software tool, NVivo7®, was chosen for this study as it provides advanced coding and data manipulation. NVivo7® assisted in sorting through enormous amounts of text and associating codes with text (quotations) sections and developing patterns. The software proved invaluable for interpretation of the text, coding, and searching text in the study and provided the means to move between the data coded and original transcripts as described by Gilbert (2002).

### Findings and Discussion

Several key areas about trust emerged from the analysis of collaboration among the regional wineries. First, it was determined that there was a significant presence of outside (of the region) experience. This implied that most people were not from Central Otago and were relatively new residents. This is understandable because the region as a wine-producing area is new, therefore, people attracted by opportunities and challenges have re-located to the region.

Therefore, long-term relationships were not dominant in the region. The idea of long-term relationships is significant in cluster research because interaction occurs easily within these relationships (Dayasindhu, 2002; Porter, 1990). These long-term relationships in regional settings facilitate a level of trust established over time among the people living there (Lawson & Lorenz, 1999; Maskell, 2001; Porter, 1990). Trust is identified in the literature as having a positive impact on interaction, learning, and collaboration leading to innovation (Porter, 1998). However, in this participant context, only two people (the owner/vintner of one winery vintner of another winery) were second generation Central Otago wine people and they did not socially interact. The limited number of long-term relationships among the participants in Central Otago, therefore, is a departure from business cluster literature.

Knowledge is the most dominant form of resource sharing in the region, a common characteristic of business clusters (Bramanti & Ratti, 1997; Camagni, 1991; Wilk & Fensterseifer, 2003). In this case, the process of collaboration first involves knowledge from outside the region coming into Central Otago through the international experience and travel of the vintners and owners. Additionally, other external information from vineyards in New Zealand is brought in by vintners, owners, and viticulturalists. Inside the region, COWA and COPNL are formal associations within which knowledge is disseminated in a face-to-face manner, discussed among members, trialed by the wineries, and continually circulated throughout the region. Knowledge is further transferred through interaction with neighbors, friends, contractors, casual laborers, and educational institutions. Sub-regional (the six sub-regions mentioned previously) relationships, special interest groups (such as those interested in organic viticulture), and newcomers to the region are other levels of interaction. The levels of interaction among members of the region are not physically or socially bounded, but can be depicted this way:

**TABLE 1:**  
**Levels of Collaboration**

Outside the region	Inside the region	Sub-groups
International experience (vintners)	COWA	Sub-regional groups
New Zealand and Central Otago experience (vintners, viticulturalists)	COPNL	Special interest groups
Other business experience (owners)	Long-term relationships	Newcomers
Contractors	Short-term relationships	
	Contractors	
	Casual labor	
	Educational institutions	

Trust associated with long-term relationships is often credited with a smooth transfer of knowledge within clusters (Porter, 1990). The participants had open interaction and knowledge transfer in which the concept of long-term relationships and trust did not play a significant role, representing a departure from previous findings in research.

Of interest in this study is that only five of the 25 participants indicated that trust was an important element in the exchange of information. Trust, or the notion that the participants could rely on each other for information and other resources, seemed to be an intrinsic 'given' among people in the region and was tied to their survival, therefore they did not give it much thought. Linked to this is the idea that all of the respondents did not think of the wineries as competing against each other. As the owner of an Alexandra winery stated, "I guess we are competitors, but we don't think of ourselves that way." A major factor for this is because any information exchanged has to be adapted to individual environments to become tacit knowledge particular to that winery. As a Bendigo vintner indicated, "We all have our own distinctive wines." Information is not taken from one individual winery and directly

applied to another environment. Therefore, different winemaking contexts at different wineries mean that the knowledge adaptations trialed by each vintner or viticulturalist actually protect the knowledge-giver from loss of competitive advantage. Somewhat paradoxically, this knowledge contextualization changes the level of trust needed for such information exchanges in the first place. This risk reduction helps the expansion of wine knowledge and its circulation through the region, elevating regional knowledge over time. Again, this erodes the supposition of trust extolled in the literature.

Another important finding aligned with the idea that each participant using knowledge differently, is that wineries have individual marketing strategies. One of the purposes of the regional cluster is to raise global awareness of Central Otago wines to assist in exportation (Aylward, 2004; Dayasindhu, 2002; Schmitz, 1999; Streb, 2003; Tambunan, 2005). Some of the wineries subscribe to formal co-marketing through COPNL to help support the exportation effort. Also, they help each other by representing and discussing other wineries' wines at events, or referring visitors to many Central Otago wineries for wine tastings.

None of these marketing strategy concepts are new to cluster literature, but there was one notable difference in their co-marketing activities in comparison to other research. An important note is that COPNL was not named in the study as the main facilitator of marketing information exchange. Three owners interviewed were not members of COPNL and chose to emphasize their individual brands rather than support the direct marketing of the region through COPNL. The owners indicated:

**Gibbston Valley Winery:** I had a falling out with COPNL in the early days in London. There were eight wines that were chosen for a dinner and they were all COPNL Board Members, so I said, “That’s it, I’m going it alone.” I’m not a member of COPNL. I’m very tied into the tourism trade and that’s what works for me.

We have a large operation and saw about 150,000 people last year at our winery. 40,000 people dined here. The people really could not care less about what they are drinking, although we produce high quality wine.

**Bannockburn Winery:** The wine speaks for itself, however it has to be positioned appropriately, it has to be shown, has to win [awards] occasionally. Having won big [awards], it’s going to make it a lot easier to continue to position and develop the brand.

The more of those we get the more positive reinforcement there is of the variety in Central Otago, New Zealand. So having said that, what I’m saying is the fact we’re not in COPNL doesn’t mean that we’re not advocating New Zealand and Central product – we’re doing that anyway.

I have no – I have absolutely no guilt feeling about not paying my way. We’re paying our way in a different way. We’re paying our way in a much more practical, direct, clear way.

You’ve asked me why we’re not in COPNL and I’ll sort of talk about that. We were, earlier on, and we were dissatisfied with – and I’ll put it very broadly and very generally – dissatisfied with the level of representation for the small people, and we defined ourselves as small people.

**Gibbston Valley Winery:** What they do is what they do. I’m not here to tell them what they should be doing. All I want to do is, what I think the best I can do is...I think – and you do some people around here trying to tell other people what they should be doing and I have a problem with that.

On the face of it, these contrary marketing actions would seemingly erode the concept of a unified regional position and regional promotion and trust, but that does not occur.

A business cluster is a paradox as independent firms in a geographically-limited space strive to achieve united goals, yet they all have separate business aims (Porter, 1990). This study specifically identified the participants’ disparate marketing strategies which seemed to contradict the idea of collaboration to develop and support a regional image. However, these three wineries do not use COPNL, yet the various marketing strategies all raise the level of each winery’s reputation, therefore ultimately enhanced the regional reputation by association. They are also willing to help other wineries and are involved formally and informally with regional events supporting the idea of trusting each other. As the owner from a Bannockburn winery stated, “We – I mean any time that you’re doing any of that,...referral to other places [referring visitors to other wineries], you’re surely consolidating the brand Central.”

The interpretation is that these wineries do contribute to the prestige and reputation of the region, through different forms of collaboration. By building their individual brands’ reputations, the wineries not joining COPNL elevate the stature of the region, thus support the regional brand. These individual

strategies also support the participants' own definition of trust. They rely on each other in the exchange of information to support the quality of regional wines, yet they understand that they will differentiate and market their individual wines on their own. This lessens the need for trust as delineated in other cluster and network research. Exactly how wineries with disparate marketing explicitly promote their own wines, yet implicitly support a regional image has not been identified previously in the literature and expands business cluster research.

An important idea interpreted in this study is that Central Otago has defined its own meaning and of trust. First, winery personnel enter the region with established reputations from other prestigious wine regions, therefore an automatic level of trust or respect exists for their experience and knowledge. This aspect of wine expertise in the region has replaced the long-term relationships emphasized as a characteristic for successful business clusters and networks. Secondly, knowledge exchange occurs more easily between people because of how knowledge is used in the particular context of each winery and vineyard. Another overriding factor was the identification by the wineries early in the development of the region that the wineries needed each other to survive and produce premium wine. This included the need to share marketing, physical (labor, tools, and equipment), and information resources.

As the owner from a Bannockburn winery stated, "But the exchange of information is quite amazing, really. People with Pinot are willing to give that information because they realize what works from their side may not work for someone else."

Also indicated by the viticulturalist from an Alexandra winery:

Central Otago, it's more like we all band together. We don't really keep secrets from other vineyards or anything like that. It's – and marketing, it all sort of goes hand in hand. I think it's more of, a big pool of

growers that are all exploring new options because it is relatively new here, so that everybody's asking the question to other vineyards, like how do we market, how do we grow?

Finally, and perhaps one of the most important factors in Central Otago's connotation of trust interpreted from the data is the deeply-embedded factors of pride and passion. They had a fundamental love of the place in which they lived which allowed them to grow premium wine, as indicated by a vintner in Cromwell, "I think it happens quite easily because people are just gobsmacked by the beauty of the region, the mountains, all the lakes and rivers, in the summer time." And, an owner in Bannockburn stated, "and so we actually knew – we liked wine, we knew a bit about wine, we LOVED Central Otago." Another owner in Bannockburn added:

So, Central Otago is in our blood, and having travelled around New Zealand and the world, we always wanted to come back because we love the climate and the dramatic ruggedness, peace, and isolation of the landscape. A love of the land, of Central Otago, and of wine has shaped our thinking.

They felt privileged to live in a place they loved and were still incredulous that they had achieved global recognition for their Pinot Noir so quickly. Recognition of their wines both domestically and internationally by consumers, wine critics, and international Pinot Noir producers continues to motivate the producers to produce the best wine. They also share the same fight against the odds every year because of the challenging climate which creates a cohesive environment. Because all participants had these strong feelings about their own vineyards and the region and overcoming constant threats, it would follow that collaborative efforts within the region would ameliorate their operations to ensure wine quality and maintain the prestige of the region. An owner in Wanaka said, "I've mentioned passion a few times – but it really is an absolute

sort of focus on making great Pinot Noir. And that, that's different from other areas." The regional founder summarized,

That sort of passion - the striving to make the best wine and to look at what your raw materials are, the sun, the light, the soils etc, I think that does, to some extent, actually sets Central Otago aside from other regions in the world. Because there has been that real, genuine support and interest and knowledge sharing. It's been that way from the beginning and is part of our history.

While these 'emotional ties' may appear to be quite delicate and unsustainable in the business world, the analysis determined that they provide the cohesiveness and trust necessary to ensure that winery personnel adhere to their focus on wine quality. Their definition of trust or reliance upon each other does not depend on long-term relationships. Their trust is derived from the respect for the expertise of the individuals coming into the region, their immense pride in the region and its wines, and knowing that the only way the regional reputation will be maintained is through the sharing of knowledge.

### **Contribution to Academia and Management**

This research contributed to academic marketing theory by supplying an in-depth understanding of the role of trust in inter-firm collaboration and process of knowledge exchange. Gaps had been identified in the literature within areas that appear to be logically connected but had not been studied holistically. First, clusters had not been studied from the B2B interaction approach examining interaction among actors, with shared activities and resources. Secondly, how competitive firms work together when long-term relationships and a traditional sense of trust are not evident significantly expands network and cluster literature.

From a managerial perspective, firms in a regional environment can benefit from this

research by seeing how regional awareness can be accelerated through a particular nature and process of collaboration among competitors. Although previous research emphasizes how important long-term relationships are in developing trust to facilitate collaboration, this study demonstrated that a region could develop its own meaning of trust in the absence of long-term relationships. The trust in this region was founded on the high level of expertise and reputations of vintners and viticulturalists attracted to the region. Additionally, trust in this region was based on a will to meet the specific physical challenges of growing grapes in a precarious environment through knowledge transfer, which all the participants shared. This knowledge is critical for embryonic regions striving to achieve global recognition for their products and services.

### **Recommendations for Additional Research**

This study specifically identified the nature and process of collaboration and evidence of trust within the Central Otago Wine Region. The findings were very specific to Central Otago and they would probably differ in other contexts. Premium wine producers could be unique in business cluster research because Pinot Noir (in this case) is not a commodity and each winery around the world offers a unique product. Likewise, it would be interesting to conduct this study in a different context, perhaps in a more mature wine region or one not so isolated. Using the findings in this study to compare to results in a different context would test their relevance and utility. In addition to conducting the study in a different wine region, it could be beneficial to test the results in another industry. These studies, particularly if conducted in different countries, could be compared to identify similar or disparate results. This could add significantly to business cluster and network research.

Outside information coming into the region was deemed critical. There also appeared to be a collaborative atmosphere among Pinot Noir producers worldwide. A study providing an in-depth analysis of global collaboration could

expand the literature. Global collaboration research in other business cluster contexts would be merited. It would be of interest to determine if this type of collaboration only occurs in the Pinor Noir producing areas, or if it occurs in other wine or industry contexts.

Each winery in Central Otago receives information and re-engineers it to fit their environments. Therefore, the provider of information does not feel that s/he is relinquishing a competitive advantage and decreases the need for trust. As this contradicts other business cluster research highlighting trust, it would be interesting to conduct an in-depth study of the concept of trust in other business cluster or collaborative network environments.

### Conclusion

In summary, this study determined that the trust exhibited by the participants was determined and defined by them and was different than the 'trust' discussed in the literature based on long-term relationships. Because of the boutique environment of Central Otago, the wineries realized from their initial grape-growing ventures that they had to work together to continue to enhance the quality of their wines and develop regional recognition. Therefore, even though they did not have long-term relationships so frequently espoused in cluster and network literature, they did trust each other in information sharing for the betterment of the region. Although there are disparate marketing strategies among the wineries, they all support the region in their own way. These are new findings in the field of business interaction and relationships.

### REFERENCES

- Achrol, R. S. & Kotler, P. (1999). Marketing in the network economy. *Journal of Marketing*, 63 (Special Issue), 146-163.
- Alderson, W. (1965). *Dynamic marketing behavior*. Homewood, IL: Irwin.
- Anderson, J.C. & Narus, J.A. (1990). A model of distributor firm and manufacturer firm working partnerships. *Journal of Marketing*, 54(1), 42-58.
- Aylward, D. K. (2004). Working together: Innovation and export links within highly developed and embryonic wine clusters. *Strategic Change*, 13(8), 429-440.
- Batanan, D., Edwards, J. & Levey, C. (1979). Agricultural cooperatives and tie theory of the firm. *Farm Economist*, 8 (1), 63-81.
- Bramanti, Alberto and Remigio Ratti. 1997. The multi-faced dimensions of local development. In *The dynamics of innovative regions: The gremi approach*, ed. Alberto Bramanti, Richard Gordon and Remigio Ratti, 168-189. Aldershot, England: Ashgate Publishing.
- Brandenburger, A. M. & Nalebuff, B.J. (1996). *Co-opetition*. New York: Doubleday.
- Bringberg, J. G. (1998). Control in inter-firm co-operative relationships. *Journal of Management Studies*, 35(4), 421-428.
- Buchan, D., Cosslett, C, Bell, B.A., Giera, N., McLaren, G., & Fullerton, R. (2000). *Going for gold*. Wellington: Horticulture and Food Research Institute of New Zealand.
- Camagni, R. (1991). Local 'milieux' uncertainty and innovation networks: Towards a new dynamic theory of economic space. In R. Camagni (Ed.). *Innovation networks: Spatial perspective* (pp.121-144). London: Behaven Press.
- Central otago wine growers association (COWA). (2007). Retrieved Dec. 23, 2007, from COWA website, [www.cowa.org.nz](http://www.cowa.org.nz).
- Corno, F., Reinmoeller, P., & Nonaka, I. (1999). Knowledge creation within industrial systems. *Journal of Management and Governance*, 3(4), 379-394.
- Wine global industry guide. (2010). Retrieved Dec. 15, 2010, from Datamonitor website, <http://www.researchandmarkets.com/reports/c76967>.
- Dayasindhu, N. (2002). Embeddedness, knowledge transfer, industry clusters and global competitiveness: A case study of the Indian software industry. *Technovation*, 22(9), 551-560.

- Top ten Otago Pinot Noir*. (2009). Retrieved Nov. 23, 2009, from Decanter website, <http://www.decanter.com/recommendations/subrecommendation.php?rid=583&sid=1743>
- Dwyer, R. F., Shurr, P., & Oh, S. (1987). Developing buyer seller relationships. *Journal of Marketing*, 51(April), 11-28.
- Dyer, J. H. & Nobeoka, K. (2000). Creating and managing a high-performance network: The Toyota case. *Strategic Management Journal*, 21, 345-367.
- Dyer, J. H. (1997). Effective interfirm collaboration: How firms minimize transaction costs and maximize transaction value. *Strategic Management Journal*, 18(7), 535-556.
- Ford, D. (1980). The development of buyer-seller relationships in industrial markets. *European Journal of Marketing*, 14(5/6), 339-354.
- Ford, D., Håkansson, H., & Johanson, J. (1986). How do companies interact? *Industrial Marketing and Purchasing*, 1(1), 26-41.
- Gilbert, L. S. (2002). Going the distance: 'Closeness' in qualitative analysis software. *International Journal of Social Research Methodology*, 5, 215-218.
- Gross domestic product*. (2009). Retrieved December 12, 2009 from World Bank website, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP>.
- Håkansson, H. (1982). *International marketing and purchasing of industrial goods: An interaction approach*. Chichester, West Sussex: Wiley.
- Håkansson, H. & Snehota, I. 1995. *Developing relationships in business networks*. London: Routledge.
- Halinen, A. & Törnroos, J. (2005). Using case methods in the study of contemporary business networks. *Journal of Business Research*, 58, 1285-1297.
- Harmon, J. (2005). *Presentation to New Zealand Trade and Enterprise by Central Otago Pinot Noir Limited* (p. 1-7).
- Keeble, D. & Wilkinson, F. (1999). Collective learning and knowledge development in the evolution of regional clusters of high technology SMEs in Europe. *Regional Studies*, 33(4), 295-316.
- Lawson, C. & Lorenz, E. 1999. Collective learning, tacit knowledge and regional innovative capacity. *Regional Studies*, 33(4), 305-337.
- Marshall, A. (1910). *Principles of economics*, 6<sup>th</sup> ed. London: McMillan and Co.
- Maskell, P. (2001). Towards a knowledge-based theory of the geographical cluster. *Industrial and Corporate Change*, 10(4), 921-956.
- Möller, K., Rajala, A., & Svahn, S. (2005). Strategic business nets: Their type and management. *Journal of Business Research*, 58, 1274-1284.
- Morgan, R. M. & Hunt, S. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3), 20-39.
- Nonaka, I. & Takeuchi, H. (1995). *The knowledge-creating company: How Japanese companies create the dynamics of innovation*. New York: Oxford University Press.
- Park, S. H. & Luo, Y. (2001). Guanxi and organizational dynamics: Organizing networking in Chinese firms. *Strategic Management Journal*, 22(5), 455-477.
- Perry, C. (2001). Case research in marketing. *The Marketing Review*, 1, 303-323.
- Porter, M. E. (1990). *The competitive advantage of nations*. New York: The Free Press.
- Porter, M. E. (1998). Clusters and the new economics of competition. *Harvard Business Review*, 76(6), 77-90.
- Powell, W. W. (1987). Hybrid organizational arrangements: New form or transitional development? *California Management Review*, 30 (1), 67- 88.
- Quotations*. (2009). Retrieved March 5, 2009 from The Quotations Page website, <Http://www.Quotationspage.Com/quote/24030.Html>
- Ritter, T., Wilkinson, I.F. & Johnston, W.J. (2004). Managing in complex business networks. *Industrial Marketing Management*, 33(3), 175-183.
- Rosenfeld, S. A. (1996). Does cooperation enhance competitiveness? Assessing the impacts of inter-firm collaboration. *Research Policy*, 25(2), 247-263.

- Schmitz, H. (1999). From ascribed to earned trust in exporting clusters. *Journal of International Economics*, 48(1), 139-150.
- Silverman, D. (2001). *Interpreting qualitative data*. London: Sage.
- Streb, J. (2003). Shaping the national system of inter-industry knowledge exchange, vertical integration, licensing and repeated knowledge transfer in the German plastics industry. *Research Policy*, 32, 1125-1140.
- Tambunan, T. (2005). Promoting small and medium enterprises with a clustering approach: A policy experience from Indonesia. *Journal of Small Business Management*, 43(2), 138-154.
- Weber, R. P. (1990). *Basic content analysis*. Newbury Park, CA: Sage.
- Wilk, E. D. O. & Fensterseifer, J. (2003). Use of resource-based view in industrial cluster strategic analysis. *International Journal of Operations and Production Management*, 23 (9), 995-1009.
- Wilkinson, I. F. (2001). A history of network and channels thinking in marketing in the 20th century. *Australasian Marketing Journal (formerly the Asia-Australian Marketing Journal)*, 9(2), 23-32.
- Wilkinson, I. F. & Young, L. (1996). Business dancing - The nature and role of interfirm relations in business strategy. *Asia-Australian Marketing Journal*, 2(1), 67-79.
- Wilson, D. T. & Jantrania, S. (1994). Understanding the value of a relationship. *Australasian Marketing Journal*, 2(1), 55-66.
- Wine regions- Central Otago*. (n.d.). Retrieved November 20, 2010 from Wines of New Zealand website, [Http://www.Winesofnz.Com/otago.aspx](http://www.Winesofnz.Com/otago.aspx).

<sup>1</sup> New World producers are located in the Americas, Africa, Australia, New Zealand, and now emerging China and India in contrast with Old World producers in Europe.