BLESSING OR A CURSE? THE ANALYSIS OF THE RESOURCE MANAGEMENT OF HUNGARIAN FAMILY-OWNED WINERIES

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Abstract The aim of the study is to provide an analytical overview of the resources and their management ensuring competitiveness of Hungarian family wineries. Family businesses need to be conscious of their various resources and to be able to identify and apply those to maintain competitiveness and to achieve the objectives. The awareness and possession of these resources is not in itself a sufficient basis; an organization-based optimal combination and effective integration are also crucial for success. The aims of the research carried out by the Budapest Business School were to identify and classify the existent and possible resources of Hungarian family business wineries. Furthermore, the research aimed to identify how these resources were integrated into the daily operation. Managing resources in an effective way and integrating them into a strategy is a creative, managerial task requiring meta-skills, experience, and tacit knowledge. This qualitative empirical research proves that familiness can facilitate but also complicate the operation of family businesses. The study demonstrates that resource-based theory can explain the performance of family businesses as well as an optimal combination of resources allows to gain competitiveness, but a real competitive advantage is linked to the goal setting of the manager, whose tool is the efficient resource management.

Keywords: goals, familiness, resource-management, wineries

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1 Introduction

Family firms attract more attention from researchers and business operators, in addition to their large number, is that their resilience allows them to survive in the long term (Wilson et al., 2013). However, we know that a large proportion of family firms do not survive the first generation change and this proportion is further reduced at the second and later generations (Tatoglu et al., 2008). These two contradictory characteristics are due to the unique characteristics of family firms. On the one hand, they use their family embeddedness and knowledge as a resource due to their flexibility, which enables them to survive in the long term, but on the other hand, these resources can also become obstacles to their operation.

According to *resource-based theory* (Barney, 1986), firms have different resources that lead to different performance. Having unique resources that are difficult to replicate can give firms a competitive advantage. To maintain superior performance over the long term, they need to identify their specific resources.

Based on the resource-based theory, the uniqueness of family businesses is referred to as familiness (Habbershon & Williams, 1999). *Familiness* is the set of resources and capabilities that result from the ongoing interaction of the individual, the family, and the business. It refers to resources of a non-material nature that cannot be reproduced by competitors. Such resources can be the individual skills, they also include personal relationships, as well as the personal contributions of family members. Chrisman, Chua and Steier (2005) argue that to understand familiness, it is necessary to examine the resources influenced by the family.

Family businesses have various resources - human, intellectual, social, cultural, physical resources, trust capital, etc. - which facilitate decision-making and business governance processes (Astrachan, 2010).

In our research, we aimed not only to identify resources, but also to understand how they can be used to give a firm a competitive advantage. According to Sirmon and Hitt (2003) this activity is called resource management. According to this, the following research questions were formulated: (1) What are the resources of Hungarian family wineries? (2) How are resources integrated into the daily operations of the family businesses?

Family-owned wineries have been chosen as our research sample because the businesses, due to their highly family-oriented nature, are suitable for analysing the characteristics of the resources identified in the literature.

2 Resource-based approaches of family businesses

A firm's resources are the assets, capabilities, organisational processes, characteristics, information, and knowledge that make the firm effective and enable it to develop and implement strategies to improve its performance (Daft, 1983).

In terms of resource-based theory, Barney (2001) argues that a firm's characteristics, its complex, unique internal processes, and intangible assets (values, beliefs, symbols, and the relationships between individuals and groups - i.e., its organisational culture) are the result of internal resources and capabilities. They not only differentiate a firm from its competitors, but also make it competitive. Resources must be valuable, unique, and non-substitutable to provide a competitive advantage (Barney, 1991).

In our research and analysis, the Dyer classification is used (Dyer (2006). Dyer (2006) which distinguishes between three types of resources - human, social and physical/financial – according to their effect on performance and operations.

In case of family firms, the unique feature of human resources lies in the quality of close relationships and the fact that family members are involved in both family and business relationships, participating in each other's personal and professional lives (Sirmon et al, 2003). Positive human resources include a high degree of commitment to the firm, friendly and intimate relationships (Horton, 1986), and firm-specific knowledge transferred through experience by early involvement of children in the firm (Sirmon et al., 2003).

Unique, non-substitutable resources from the family - such as patents, inventions, unique knowledge and exclusive ownership or distribution rights - greatly increase competitive advantage. However, these resources provide only a temporary competitive advantage and are not limited in number in nature.

The second group includes social resources, which are the various social relationships of the firm, involving relationships between individuals and organisations, including firm activities such as relationships with external stakeholders (suppliers, customers, organisations, financial institutions) or internal stakeholders (e.g., employees), which may go back decades.

According to Hitt et al (2001), social resources provide firms with information, technological knowledge, access to markets and additional resources. Social resources are enhanced by linking different social structures, enabling the firm to build more effective relationships, access new resources and improve communication of its products or services (Sirmon et al., 2003).

Social capital is particularly important in knowledge management, as it can be used to maintain or increase knowledge acquisition, but also to reduce it. The knowledge resources of family businesses are determined by the degree of social bonding of family members and the ability of non-family members to develop and integrate their own social resources into the family business (Davis et al., 2010). This social capital increases their loyalty, strengthens their trust and commitment to family values, thus contributing greatly to the development of a shared vision.

The third group includes the physical/financial resources of family businesses, which can be unique assets with both positive and negative effects. Family businesses' capital is mainly provided by the family or by bank loans.

According to Barney (1991), a resource must have four characteristics to provide a competitive advantage to a firm. He summarised this in a framework called the VRIN (valuable, rare, intangible, non-substitutable) framework. The first category (1) is a group of valuable resources that enable businesses to increase their efficiency and effectiveness. The second category (2) consists of rare resources. According to Barney, if a valuable resource is held by many firms, it can be exploited by all of them and therefore does not provide a competitive advantage. The third type (3) is the group of resources that are difficult to copy. Valuable and scarce resources in this category are not or are difficult for other firms to access. The fourth group (4) consists of non-substitutable resources.

Valuable resources may ensure the firm's survival by maintaining competitiveness, but they may not provide a sustainable competitive advantage (Habbershon, 1999). In general, if a resource is less than or equal to the demand for it, that resource provides a competitive advantage (Barney, 1991).

2.1 Managing resources in family businesses

Resources alone are not sufficient to maintain a competitive advantage, and it is important to integrate and use them efficiently (Hitt, Ireland and Hoskisson, 2001). Firms can gain and maintain a competitive advantage through the efficient use of resources, through resource management (Sirmon, 2003).

Sirmon (2003) divides resource management into three complementary yet interdependent stages: (1) resource inventory management (evaluating, adding, shedding), (2) bundling resources, and (3) leveraging (see Figure 1).

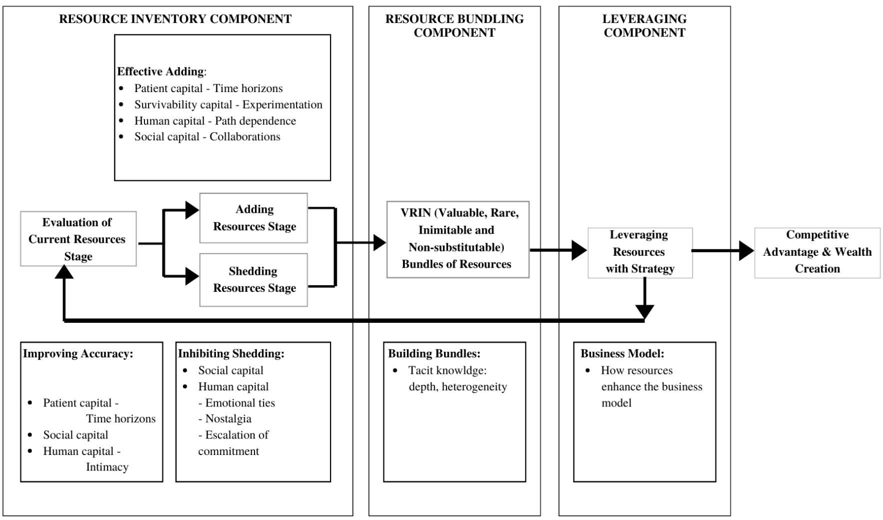

Figure 1: Managing Resources for Wealth Creation
Source: Sirmon és Hitt, 2003, p. 346

1. Managing resources

The first step of resource management consists of three activities: evaluating, adding, and shedding. In a dynamically changing economic environment, it is essential to continuously evaluate, select, and re-evaluate resources. Resources that are no longer of value must be abandoned, but new resources may also need to be brought into the firm. New resources can be obtained from the market and integrated, or they can be created internally, for example through learning or knowledge acquisition.

Integrated resource bundles may also be a way of creating resources that are difficult to replicate and/or replace, and which can then be integrated into the firm's strategy. The ability to acquire new resources depends on the social capital of the enterprise as well, which is a particularly critical element for smaller enterprises.

When evaluating resources, it is important to consider their long-term impact. When it comes to evaluating resources, managers of family firms often have in-depth knowledge thanks to their internal and external contacts and their experience in business. However, close, and emotionally involved (nostalgic) relationships make it difficult to evaluate resources objectively and to abandon low value resources.

Changing resources can be challenging but can create uncertainty, which may even lead to a shift towards lower risk strategies, leading to entrepreneurial inertia.

The continuous configuration of resources also involves connecting different units in the organisation, and these tasks must also be carried out by managers.

2. Resource bundling

Having and managing resources is crucial, but not in itself sufficient for competitive advantage. Existing resources must be used to build "resource bundles" so that they are effectively combined to improve the firm's competitiveness. This may be the reason, for example, why firms with seemingly smaller resources outperform firms with larger resources. The result of this activity may be to enhance the impact of organisational culture, increase trust and reduce operating costs.

3. Leveraging.

Management must integrate resources into the strategy of the company so that they are used efficiently, thereby increasing the competitiveness of the company.

Effectively organising resources and integrating them into strategy is a creative, meta-skilled managerial task that requires a great deal of experience and tacit knowledge. The ability to coordinate and persuade, to learn and collaborate, and to adapt to change are also necessary for successful resource management.

3 Methodology

The first step in selecting the sample was to clarify the definition of a family business. In selecting the family firms, the sampling criteria were based on the definition of family firms by the Budapest Lab of Budapest Business School, Budapest (Kása et al, 2019). Accordingly, family firms are (a) firms who consider themselves as family firms; or (b) where at least fifty one percent of the firm is owned by a family and (c) the family participates in the management of the firm or (d) family members participate in the operation of the firm as employees; or (e) the transfer of management and ownership is partly or fully carried out within the family.

Interviewees were selected using the snowball method. The nine-item sample consists of wineries located in five Hungarian wine regions. The size of the businesses in the sample ranged from two and a half hectares to one hundred and ten hectares.

The data collection took place between October 2020 and July 2021, partly on-site and partly online, through semi-structured interviews. Data were structured, coded, and analysed using NVivo 12 software. We used codes from the literature, which were considered as primary codes. The codes were further subdivided into subcodes, and after multiple readings, eight merged dimensions were formed. In the next step, the codes were classified according to Barney's (1991) classification.

4 Analysis

The results of the analysis of the four main groups of resources (human, social, financial, and physical) identified in our research are presented in the table (see table 1). The categorization is based on Barney's (1991) framework (groups of valuable, rare, intangible and non-substitutable resources).

Table 1: Categorisation of resources

	Valuable	Rare	Intangible	Non-substitutable
Human Related to founder	Knowledge, Expertise Knowledge of the industry Innovation Commitment Transfer of values Entrepreneurial orientation Emotional attachment		Expert knowledge, skills and knowledge Product development	The founder
Related to family member	Commitment Emotional attachment Informal learning			Family as a distinctive brand Family heritage Family reputation
Related to employees	Commitment Knowledge Expertise			
Related to management	Need for quality of product and service Resource management			
Social External	Intimate and trusting relationships with external stakeholders Access to information	International relations belonging to a network Commercial contracts Market share	Personal contacts Collaborations	Family social capital Company culture Tradition
Internal				Strong family ties Shared family vision and goals Intimate and trusting relationships with internal stakeholders
Financial	Family (own) capital EU funds Bank loans		Patience capital	
Physical	Improving production technology Integration of new equipments and technologies Wine plants Catering facilities		Unique wines	Terroir characteristics and quality Geographical location Raw material (grapes)

Source: Own editing based on own Research

The group of *human resources* was further broken down into sub-categories to make the results even clearer. The first category of human resources is related to the founder, the second to the family and the third to the group of employees. Finally, a fourth group was created, the manager or leader group, which could be either the founder or a family member.

1. Among the unique, non-substitutable resources, several companies mentioned different positive characteristics linked to the founder's personality. The entrepreneurial and managerial skills, as well as business and professional experience, were also found to be of great importance. The founder's willingness to innovate was also identified as a key human resource related factor.
2. The family as a human resource. Family resources are based on the emotional tie within the family, family harmony, shared vision, and long-term orientation. The family as a brand can be a competitive advantage as part of a marketing strategy, as it differentiates a family business from its competitors. Family stories don't need to be invented because they are given and authentic. Family reputation is one of the most important resources of the Hungarian family wineries studied.
3. Among the characteristics of resources that can be linked to employees, the most important were found to be commitment and expertise. Commitment may manifest in long-term, loyal, and informal relationships.
4. Human resources related to management. The last group may include the founder, but also a family member who is responsible for the management of the business. No enterprise was found in our research where this role was not held by a family member.

In relation to *external social resources*, respondents highlighted the importance of the value of giving back to the community of which they are part of.

Concerning the internal social resources, the information and knowledge that the family can share - industry knowledge or knowledge of customer problems - is key to identifying opportunities. Close family ties are essential for knowledge transfer. Our research has shown that a positive family atmosphere, open communication between family members and intergenerational understanding are all important starting points for internal social capital.

Trusting relationships with employees can integrate social relationships.

Three different resources were found in the *financial resources* group. We saw a particular emphasis on own property, which is shared among family members. The issue of bank loan was raised by one respondent, however, the availability of EU funds and their use as an important resource was mentioned in several cases.

Physical resources are of great importance for wineries. In all cases, our interviewees spoke about the importance of new technologies and equipment in improving the quality of the product. Several of them mentioned plans to create a catering unit. Overall, the interviews showed that the most important non-substitutable resource is the advantage of the geographical location and the terroir.

"Hungary has been a very important country in Europe in many ways, especially in the gastro-wine line. Tokaj has established wine making in 1737, Bordeaux was second in the world in 1855, then Burgundy was third in 1936... that's how far ahead Tokaj was" (B1).

5 Conclusion

Our first research question was to identify the resources of Hungarian family wineries. In our analysis, the resources were classified and grouped, although the different resources never occurred independently of each other, but connected and complementing each other.

Many valuable and rare resources were found in the wineries studied. The resources that cannot be substituted are related to the founder, internal social and physical resources. Non-substitutable resources related to the founder and the family are human and social resources that are mainly leveraged in Hungarian market. The network of the owner and managers, as well as the wine awards are valuable resources primarily in the local, Hungarian market.

Physical resources that cannot be substituted, such as the characteristics and quality of the terroir, i.e., the geographical location, increase competitiveness but do not necessarily give a competitive advantage. The importance of the origin of the product in terms of value creation is well known in the wine market. In the wine industry, tangible attributes linked to authentic geographical and biographical characteristics can play a significant role in gaining a competitive advantage, attracting consumer interest, strengthening consumer loyalty and the market position of the wine.

Reputation itself is one of the intangible resources linked to the family's identity. This positive image is particularly important in the businesses studied, since both the business and, in most cases, the product itself bear the family name. It also facilitates the transfer and exploitation of knowledge and can be a source of innovation. This could include the development of new products or product lines, the expansion of services, or a shift to other types of production (see organic farming).

Our second research question concerned how resources are integrated into everyday operations, i.e., how family businesses manage their resources.

The configuration of resources is of great importance, the manager's ability to consciously manage and renew the resources needed and available. This is particularly difficult in the case of family businesses where the manager is emotionally involved, thus is often unable to take an objective view of the company's operations.

Finally, it is important to note that resource development requires significant human and financial resources, so it is only worthwhile to develop those that will lead to real growth or competitive advantage.

The resource theory presented in this paper explains how the valuable and scarce resources of firms contribute to their competitiveness. Resource theory can help answer the question of why some firms perform better than others.

Family firms have a variety of tangible and intangible resources that enable them to gain a competitive advantage and their interaction can lead to a competitive advantage, but the existence of these resources alone is not a sufficient condition; an effective combination of capital resources is necessary (Sirmon and Hitt, 2003).

Our results show managing and exploiting knowledge is crucial. Family businesses need to utilise their competences, resources, and skills to increase their efficiency and achieve their goals.

Our research was exploratory in nature, our analysis was based on the views of a few respondents, so it was not our intention to generalise our findings from the data to all Hungarian family businesses. Rather, we used the data to provide a theoretical framework for research on the integration of resources into business operations.

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