

**NETWORKS OF LEARNING WITHIN THE ENGLISH WINE  
INDUSTRY: COMMUNITARIAN, DISTANCIATED,  
ORGANISATIONAL, AND REDUNDANT**

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by

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## **Abstract**

The literature on industrial districts (also referred to as business clusters) has grown out of recognition that spatial proximity among firms supports the formation and exchange of knowledge within an industry and is therefore a source of competitive advantage. While such a ‘territorial’ perspective on interfirm relationships is valuable in highlighting the informal means through which firms can gain access to innovative knowledge, localised perspectives have received criticism from a number of quarters. This paper aims to evaluate the relevance of ‘territorial’ processes – untraded, informal, and localised relationships – for producing learning in industrial districts, when situated within a ‘relational’ perspective that also recognises the role of firm-specific strategies in shaping the learning practices that take place within industrial districts. The research explores the role of both territorial and non-territorial interfirm relationships within industrial districts using empirical evidence drawn from interviews with small enterprises working within the English wine industry of southern England. The findings suggest that the development of non-local knowledge links and formal interfirm arrangements by leading firms within the industrial district are starting to displace the extant communitarian logic of learning within the English wine industry.

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Further information about the Centre for Business Research can be found at the following address: [www.cbr.cam.ac.uk](http://www.cbr.cam.ac.uk)

## **1. Introduction**

The industrial district, as depicted in the writing of Alfred Marshall (1920) on the groups of small enterprises working within the manufacturing industries of northern England in the late nineteenth century, suggests that economic success and industrial innovation are the product of a localised ‘industrial atmosphere’ composed of informal interfirm relationships in which craft-based skills, advances in production and technology, and new ideas in general are mobilised through the social practices of firms. Over the last decade, this characterisation of industrial districts has been questioned by economic geographers who have highlighted the role of non-local sources of innovation (Maskell, Bathelt and Malmberg 2006; Wolfe and Gertler 2004) and the agency of technologically advanced companies, such as ‘network leader’ firms (Amin 1999), in shaping the learning environment and competitive prospects of industrial districts. In short, recent scholarship has shifted attention away from the local industrial milieu and towards the specific strategies of individual firms in securing innovative knowledge and influencing the systems of production within industrial districts. This paper explores the relevance of informal interfirm relationships characteristic of Marshallian districts, when approached from a firm-centric perspective that recognises the diverse capabilities and strategies of different enterprises and their influence on the sociology of innovation practices observable within industrial districts. The analysis draws on empirical evidence from the English wine industry, which is dominated by an agglomeration of small enterprises in southern England.

### **2.1 Territorial learning in industrial districts**

The literature on industrial districts has grown out of recognition that spatial proximity among firms supports the formation and exchange of knowledge within an industry and is therefore a source of competitive advantage. What is significant about these interfirm knowledge practices is that they are understood for the most part to be informal in nature, relying on conventions such as trust and reciprocity and the common interests of enterprises within the district. These informal practices are constituted in a variety of ‘untraded interdependencies’ shared among co-located firms and local institutions: ‘conventions, informal rules, and habits that coordinate economic actors under conditions of uncertainty; these relations constitute region-specific assets in production’ (Storper 1997: 5). Rather than being acquired through formal transactions, this knowledge is gained through exposure to the material context in which leading firms within an industry organise their production activities and are visible socially in the local environment. As such, the industrial district

acts as a learning environment that firms use to gain access to industry-specific knowledge and skills, which are often tacit or subconscious in nature and require direct observation to be learned (Polanyi 1967).

The role of untraded or non-market interdependencies has been explored empirically in the context of the British motor sport industry, which is dominated by a cluster of world-class motor racing firms located within a fifty mile radius of Oxford, termed 'Motor Sport Valley' (Henry and Pinch 2000). The success of the cluster, the authors suggest, is sustained by informal interdependencies among the firms, including the inter-firm movement of employees, common supplier linkages, and the circulation of shared beliefs and discourse through the negotiation of gossip, rumour, and mutual observation within the cluster. These processes lead to the development of, what Henry and Pinch (1997) term, a 'knowledge community':

a group of people (principally designers, managers, and engineers in this case) often in separate organisations but united by a common set of norms, values and understandings, who help to define the knowledge and production trajectories of the economic sector to which they belong.

(quoted in Henry and Pinch 2000: 127)

Thus, at least in this example, the success of the district stems from the dissemination of tacit knowledge, represented in a common interpretive scheme, which is acquired through engagement with the untraded interdependencies constitutive of an innovative spatial environment.

An interest in the specific anthropological processes that afford the types of learning described as untraded interdependencies has developed in recent years through the literature on 'communities of practice' (Lave and Wenger 1991). According to this theory, learning takes place informally through social participation in communities that, while not necessarily homogenous, are defined by the repeated interaction of participants and the development of identities in relation to those communities. Wenger and Snyder (2000: 139-140) describe communities of practice as follows:

They're groups of people informally bound together by shared expertise and passion for a joint enterprise – engineers engaged in deep-water drilling, for example, consultants who specialize in strategic marketing, or frontline managers in charge of check processing at a large commercial bank. Some communities of practice

meet regularly – for lunch on Thursdays, say. Others are connected primarily by e-mail networks. A community of practice may or may not have an explicit agenda on a given week, and even if it does, it may not follow the agenda closely. Inevitably, however, people in communities of practice share their experiences and knowledge in free-flowing, creative ways that foster new approaches to problems.

Spurred on by passion and shared expertise, communities are thought to act as localised repositories of tacit knowledge as members engage in everyday sociality and draw upon the collective experience of the group. While communities of practice have been studied in greater depth at the level of the firm (e.g. Brown and Duguid 1991; Orr 1996; Wenger 1998; Thompson 2005), there is increasing interest in the role that such groups may have in promoting learning at the interfirm level and in contributing to the innovative capacity of industrial districts. For example, developing Saxenian's (1996) ethnographic account of the informal ties among semiconductor start-up firms within Silicon Valley, Brown and Duguid (2000) suggest that the communities of learning that develop emerge from the close spatial proximity of scientists and technologists working within the Valley, as 'people live in and out of each other's pockets, and this helps them see what's doing, what's doable, and what's being done. This close proximity not only shows how to attack a particular niche, it provides the ability to see a niche before it is visible to most eyes' (p.168).

Critically, the emergence of communities of practice at an interfirm level appears to be supported by the 'soft infrastructure' of the activities of formal professional associations. Again, in relation to Silicon Valley, Benner (2003) shows how 'Webgrrls', a professional association for women working in internet-based occupations, supported the career development of its members 'in an environment in which social networks have worked to exclude women from positions of influence' (p.1825) by providing 'a critical community for newcomers to the industry rapidly to learn and update the skills and knowledge they needed to contribute effectively to the industry's growth in the region' (p.1826). This suggests that the institutional basis of Storper's concept of 'untraded interdependencies' may help to underpin the more informal practices of interfirm communities and support the development of interfirm ties and processes of learning within a specific industrial district or region.

While such a 'territorial' perspective on interfirm relationships is valuable in highlighting the informal (socio-institutional) means through which firms can gain access to innovative knowledge, it has received criticism from a number of quarters. Firstly, a territorial perspective promotes the understanding of

innovation as an ‘island activity’ (Amin and Cohendet 2004) in which the knowledge practices taking place within a region are privileged, to the neglect of ‘external’ mechanisms of learning that, while originating outside a cluster, may still have a bearing on those ‘internal’ practices. Secondly, by focusing on the properties of the territory and the common processes that afford the circumscription of an industrial district, territorial perspectives have tended to overlook the agency of individual firms, with the implication that ‘all district firms are relatively homogenous and that they do not merit attention in their own right’ (Lazerson and Lorenzoni 1999: 237). Thirdly, territorial perspectives assume that firms locate within an industrial district in order to exploit ‘ungovernable’ knowledge that is shared informally with other firms. However, this proposition seems at odds with the literature on organisational behaviour which suggests that, when faced with uncertainty, firms will attempt to develop capabilities in-house (through hierarchy) or within a framework of contractual arrangements with other organisations, including hybrid or network forms (Williamson 1996; Deakin and Michie 1997). Finally, territorial perspectives assume that knowledge is shared pervasively within a region, rather than travelling through business networks involving sub-groups of firms (including different communities of practice), such as those found within a wine cluster in Chile (Giuliani and Bell 2005).

## **2.2 Learning through firm-specific relational practices**

The influence of both territorial and non-territorial processes can be captured through a ‘relational’ view of learning in industrial districts, one which is liberated from the ‘territorial’ equation of interfirm relationships with spatial proximity. Amin and Cohendet (2004: 93) sum up the consequences of tracing the geography of economic activity through an understanding of space in relational terms:

We propose, against a geography of scalar nesting, a map of knowledge practices as tracings in criss-crossing and overlapping networks of varying length and reach, thus allowing an understanding of individual sites as a node of multiple knowledge connections of varying intensity and spatial distance, as a place of trans-scalar and non-linear connections, and as a relay point of circulating knowledges that cannot be territorially attributed with any measure of certainty or fixity.

A relational understanding of industrial districts points us towards the diversity of learning practices that may be at work within a region. This challenges the assumption that a single rationality of action pervades a region based on the idea that informal interdependencies bind together a relatively homogenous community of firms. Instead, a relational perspective suggests an uneven geography of interfirm relationships based on the different learning strategies employed by heterogeneous firms. While some enterprises may choose to rely on informal interfirm relationships as a resource for learning, others may forego potential links with neighbouring firms and institutions and develop formal networks that run within and extend beyond the industrial district in pursuit of strategic sources of knowledge.

Previous empirical research has indicated the importance of the agency of individual firms in shaping the economic trajectories of industrial districts. For example, Amin (1999) highlights the importance of 'network leader' firms for the prospects of the networks of small manufacturing firms of Emilia-Romagna in Italy. Managed by experienced entrepreneurs, these relatively large organisations (with up to 100 employees) have provided strategic direction and technical expertise to smaller firms through elaborate subcontracting networks. By focusing on strategic capabilities in utilising market knowledge and managing alliance-based learning, such 'path-challenging' entrepreneurs have been able to exploit new opportunities within international markets for firms within the region by encouraging product experimentation and creating an adaptive capacity within the network.

Others studies, also focusing on the external linkages that some firms within clusters possess, are more sceptical about the dissemination of knowledge to other firms within the cluster. For instance, in a study of the footwear industry in the north region of Portugal, Vale and Caldeira (2007) examined the spatial strategies of eight footwear producers and found a division among the firms that relied on either local or international networks in organising the footwear production chain. The most innovative companies used international networks to develop knowledge related to fashion design and distribution, which consisted in the creation of design centres of major cities outside the region, facilitating access to relationships with stylists, fashion media agents, and promoters. The knowledge of fashion trends that such activities afford adds value to the shoes made by these companies and allows them to target higher market segments. Conversely, those firms that relied on local networks tended to focus on manufacturing-related functions rather than design and, as such, produced shoes for the lower end of the market. Without public policy intervention, the authors predict the demise of firms that rely on localised

networks. Thus, the sustainability of localised industrial districts is being undermined by the formal knowledge strategies of individual companies. This suggests that firm-specific processes are hollowing out the informal knowledge base traditionally associated with business clusters.

This paper evaluates this claim by exploring the role of both formal and informal interfirm relationships within an industrial district using empirical evidence drawn from interviews with small enterprises working within the English wine industry of southern England. Specifically, the research aims to evaluate the relevance of ‘territorial’ processes – untraded, informal, and localised relationships – for producing learning in industrial districts, when approached from a ‘relational’ perspective that also recognises the role of firm-specific strategies. This includes the development of non-local knowledge links and contractual interfirm arrangements which shape the learning practices that take place within an industrial region. Tracing the behaviour and strategies of different enterprises will afford an evaluation of the competitive prospects of firms that rely on formal or informal resources as a source of learning, and the impact that emerging non-territorial tendencies will have on the cooperative arrangements characteristic of Marshallian industrial districts.

The analysis of interfirm relationships within the English wine industry is based on 35 loosely-structured interviews that were conducted with a variety of actors within the industry between May and July 2007 – wine producers (15); educators (3); industry associations (3); private consultants (2); retailers (4); regional food groups (3); government bodies (4); and bottlers (1). The performance of each interview was supported by an aide-memoire that was used to orient the discussion and was constructed in a bespoke fashion for each interviewee on the basis of cumulative primary and secondary research. Although the themes explored varied from interview to interview, they were all sensitive to the endogenous and exogenous sources of learning and business support available to enterprises working within the industry, including business strategy, R&D practices, supply chain linkages, and interfirm interaction. The interviews also inquired into the role of local educational institutions, government bodies, and industry associations. The length of the interviews varied from 10 minutes (a government body) through to 2.5 hours (a wine producer) and the content of each was tape recorded and transcribed in full. The Centre for Business Research at the University of Cambridge also joined the United Kingdom Vineyards Association (UKVA), with amateur status, entitling it to access the biannual industry publication, *The Grape Press*, regular email bulletins, and inclusion on the UKVA electronic discussion list, which was used regularly by many of the members. One member of the project team also



attended a wine seminar organised by the enforcement agency for wine standards as well as the opening of a new wine centre at Plumpton College in East Sussex. Both occasions afforded the acquisition of new contacts and improved understanding of the relationships among the firms and institutions of the English wine industry, which will now be described, prior to the reporting of the findings of the empirical research.

### **3. The English wine industry**

The English wine industry has entered a period of prosperity, as reflected in a recent annual report by the UK's wine regulator: 'There appears to be a new level of confidence in the industry about the future prospects for vine growing in the UK, especially for sparkling wine production' (Wine Standards Board 2006: 6). Growth in the popularity of English wine has been confirmed by the supermarket Waitrose which reported that sales of English wine are currently increasing by an average of 92 per cent year on year (Off Licence News 2008).

Estimates suggest that 75 per cent of all wine produced in the UK comes from the south east of England (Unwin 1991; Skelton 2001). While only a quarter of the 383 vineyards in the UK are situated in this region, they tend to be larger in area (at 4.3 hectares almost twice the average size of vineyard in the UK<sup>1</sup>); they produce a greater proportion of 'quality' wines (the pass rate for the industry's quality wine scheme for the south east is 88% compared with 78% for the rest of the UK<sup>2</sup>); and they include the 'Big Four' wine producers in the UK that distribute wines nationally through a major supermarket chain (Chapel Down, Nyetimber, and RidgeView) or, in the case of Denbies Wine Estate in Surrey, sells wine through a major on-site tourism centre that attracts 375,000 visitors per year<sup>3</sup>. While the concentration of wine production in this region is explained in part by the suitability of the physical environment to vine growing – with warmer mean temperatures and longer hours of sunshine than the rest of the UK and the favourable chalky soils of the hills of the North and South Downs (Selley 2004) – the region also possesses a number of institutional assets that address the needs of winegrowers and provide support for the development of the industry in southern England. These assets can be summarised as follows.

Firstly, the industry's producer association, the English Vineyards Association (EVA), which was established in the mid-1960s, was an early impetus for learning for viticulturalists and wine producers. The EVA was set up with the aim of 'promoting the intelligent cultivation of vines for commercial purposes in England' (quoted in Barty-King 1989: 55). The association approached this task by organising events, including annual tastings, competitions, and

symposia, as well as publishing a regular magazine, *The Grape Press*. In 1978, the association introduced a quality mark that could be affixed to bottles of wine that were adjudged to be successful on producer-run analytical and tasting tests. In the mid-1990s, this was superseded by quality and regional wine schemes regulated by the EU, and the association was renamed the United Kingdom Vineyards Association (UKVA) as six regional producer associations (including one covering Wales) were incorporated within the governance structure. As well as promoting the mutual engagement of vineyard owners and wine producers, the UKVA represents the policy interests of its members nationally and in Europe. The regional association covering the south east (SEVA), which is coordinated through Plumpton College, holds regular meetings often attended by guest speakers, allowing ‘members to meet and exchange ideas on vinegrowing, winemaking and wine commercialisation’<sup>4</sup>, hosts an annual regional wine competition and vineyard open days. It has recently developed a producer intranet site (launched in March 2008) that allows members to communicate via a social forum, and includes a repository for SEVA and UKVA documentation, as well as a series of information sheets on vine growing and winemaking.

Secondly, the need to develop the knowledge of English wine producers was addressed more directly in the mid-1980s by a vineyard owner in East Sussex, Gay Biddlecombe, who argued the case for the introduction of a formal training scheme on the premise that ‘this would help establish England as a serious wine producing country, and put our industry on a completely different footing’ (quoted in Barty-King 1989: 173). With funding from the UK government’s Department of Education and Science, a consortium including the producer association and two colleges was set up to investigate this issue, and the first course to emerge from this venture, ‘Growing and Making Wine in England’, started at Plumpton Agricultural College in 1989. At present, Plumpton College puts over 100 students per year through degree programmes related to wine production and wine business and hosts a variety of part-time and professional development courses.

Finally, with funding from the regional development agencies, local food groups have been set up in more recent years within the region to promote small food businesses by organising marketing activities and fostering good business practice. ‘A Taste of Sussex’, for example, is a membership network that involves a number of wine producers and other food-related enterprises across the county. The network offers both support services (a food producer directory, business planning, and marketing and promotion activities) and business development opportunities (food fairs, trade showcases, and ‘meet the buyer’

events). Additionally, while not representing the interests of producers in the south east specifically, the marketing association for the English wine industry, English Wine Producers, was established in the mid-1990s and provides a listing of vineyards for consumers, organises annual events (including ‘English Wine Week’), a trade wine tasting, and supplies information to the trade press and wine educators. The association is funded by the subscriptions of members who together produce over three quarters of the wine made in England.

The empirical research revealed four different production logics in operation within the English wine industry: communitarian networks of smaller and newly-established vineyards that share resources and interact more informally; distanced networks of producers emulating production practices within established winemaking regions, notably the Champagne region of France; organisational sub-contracting networks of local grape growers managed by commercial wine producers; and vertically integrated businesses that organise virtually all aspects of the production process in-house and no longer rely on learning through networks.

As will be shown, while the communitarian network is characteristic of a ‘territorial’ district defined by a series of untraded interdependencies among the producers, the other networks exhibit different characteristics. These networks deviate from a model of informal, localised cooperation and highlight instead the importance of firm-specific rather than communitarian processes for producing learning, which poses a challenge to the interpretation of innovation as the product of industrial districts when understood as a cooperative space. The nature of each type of network will be described in turn, followed by a comparative evaluation of the processes of learning occurring within each network, and the paper concludes with a discussion of the implications of the findings for conceptualising learning within industrial districts.

### **3.1 The communitarian network**

The composition of the English wine industry includes a large number of micro-scale enterprises, which is confirmed by the average vineyard size within the industry of 2.59 hectares<sup>5</sup>. Once known as ‘hobbyist’ producers – many of whom entered the industry in the 1970s – these enterprises had owners that came from a variety of backgrounds: ‘a sprinkling of retired service people, a few farmers and landowners looking for alternative, hopefully more profitable, crops, some ‘lifestyle’ smallholders (generally underfunded) keen to be part of the ‘good life’ brigade, as well as those with a few acres attached to their houses in the country who liked the idea of having their names on a wine label. Only

one thing seems to have united them – an almost complete lack of experience in growing vines (and in many cases of growing anything) or of making wine!’ (Skelton 2001: 77).

This lack of knowledge was a stimulus for interfirm (or, more accurately, interpersonal) interaction between the owners of vineyards. The interviews with producers suggested that the motivation to share experiences with one another stemmed from a passion for winemaking and a sense that interaction with other vineyards would enhance their own capabilities. An appreciation of wine often began in the childhood home, as a place where wine had become a familiar presence from an early age. For example, in accounting for his decision to cultivate vines, one vineyard owner in East Sussex described how wine had been a part and parcel of everyday family life, a convention influenced by his French mother:

I’m half French which doesn’t give me a passport to anything really: it doesn’t make me an especially good lover; it doesn’t make me an especially good wine lover – you’ve got to prove yourself. But I’ve been born into a household that has wine twice a day without any thought about it – like we would have tea at four o’clock.

Another interviewee remarked on his infatuation with the process of making wine, that is, the virtue of the process of discovery associated with working with grapes and producing a new vintage of wine. This winemaker in Kent highlighted the practical knowledge, both aesthetic and scientific, which was acquired and utilised in navigating the winemaking process:

I suppose it’s like people who are contract cleaners: they know a lot about cleaning. You think you know something about cleaning then you see a contract cleaner who knows a lot more about it; he’s even designed a special brush. It’s a bit like that – you see the tricks and the wrinkles and that’s what it’s all about. It’s a whole thing. It’s not just an exchange of chemicals by use of yeast – you know, converting one set of molecules into another set and getting a bit of carbon dioxide. It’s more than that. It’s a bit of art really I suppose – a bit of art; a bit of science; a bit of loping about; a bit of drunkenness as well.

It is this passion for all things oenological which seems to encourage vineyard owners to communicate with one other and to identify with the challenge each faces in trying to produce a high quality bottle of wine. Like the process of

enquiry described above, social interaction, at best, holds the promise of innovation by creating a space for sharing ‘the tricks and the wrinkles’, while on a more routine basis, interfirm relationships allow these typically small enterprises to pool resources and therefore derive economies of scale. The following quotation demonstrates the value that the winemaker at a vineyard in West Sussex attaches to informal interaction as a method of enhancing her own capabilities,

I have good relationships with a few key vineyards that work very well for us and we share information with them and they share information with us and actually on occasion I think, reciprocally, it has probably benefited us and the other vineyards in ways where actually to not have been able to share that information would have taken a long time to sort it out and possibly have never found it or certainly not found it that easily.

Vineyard owners were also able to cite cooperative practices when describing specific cases where business performance had been enhanced. For instance, the winemaker at a medium-sized vineyard in Kent explained that advice from another vineyard had been instrumental in making the decision to invest in a new piece of winery equipment, a £30,000 pneumatic grape press:

It was a good investment but we would not have looked at one if somebody else hadn’t got one first and said ‘I’ve done this’. We went to the show. We looked at it. We went to their place and saw what it had done with their wines and tasted their wines and thought, yeah alright we will risk it, and it has paid off. It’s good. That came from talking and keeping in contact with people which is good.

In accounting for the presence of cooperative relations within the English wine industry, it is difficult to ignore the influence of different institutional structures that have developed in tandem within the growing success of the wine sector. Firstly, the Sussex-based agricultural college, Plumpton, creates links with local winemakers as students within the wine studies faculty pursue part-time jobs and work experience projects with nearby vineyards. Former students of the college remain contacts for the vineyards with whom they worked while studying, having secured full-time jobs with other producers within the region and beyond. This supports mutual awareness of the activities of different enterprises within the industry, as a vineyard owner in West Sussex commented:

We've been running the vineyard here now for the last five or six years with a lot of part-time Plumpton students coming and working here and stuff and so a lot of our ex-employees are now working at Nyetimber or RidgeView or whatever so we know them quite well. I think Nyetimber's vineyard manager is one of my ex-vineyard people and you know so on and so on. So we sort of get to know these people who work there, not just the bloke who owns the vineyards, but all the people who work there as well which is quite fun.

Secondly, events organised by the local food groups, such as *A Taste of Sussex*, facilitate face-to-face contact for otherwise relatively distributed wine producers. Through food fairs, meet-the-buyer days, and training initiatives, local producers not only experience the 'buzz' of encountering one another's latest products, sales techniques, business strategies, and opinions, but they actively coordinate their resources in order to participate in these activities. As the coordinator of the Sussex food group explained in interview, wine producers will share the costs of renting a stall at food fairs; bring together a selection of 'competing' wines to entice supermarkets to attend 'meet the buyer' days; and share experiences to disseminate 'best practice' at industry-specific training and development sessions.

Finally, the producer association, UKVA, organises a rhythm of events which provide opportunities for members to meet face-to-face, including an annual national competition, industry symposia, and council meetings. However, the main way in which UKVA supports the sharing of knowledge among producers is through the association's electronic discussion list. In the period between July 2007 and July 2008 over one thousand email messages were circulated through the discussion list, which was used avidly by the members as an informal resource for learning and a source of common identity. The forum acted as a diagnostic space for queries – dealing with rabbits in the vineyard, interpreting flowering problems, negotiating VAT registration, locating trusted suppliers, defining terms of contracts, and securing government grants; a marketplace for trading grapes, used equipment, entire vineyards, harvest hands, and winemakers (usually from overseas) seeking employment; and a reflexive commentary on media coverage of the industry, competition results, harvest predictions and reports, and 'hot' topics such as regulatory reform of the EU wine regime and organic production techniques.

The finding that the UKVA's discussion list was used ardently by English wine producers represents a non-territorial twist to the widely-held view that institutional structures help to foster a culture of interfirm cooperation within

industrial districts. While broadly agglomerated, the frequent use of electronic forms of communication perhaps reflects the dispersed geography of the English wine industry as a whole (no fewer than 18 counties have between one and three vineyards) and the capability of such a medium to reach the majority of producers within the industry, while avoiding the sunk costs associated with organising 'formal' learning activities, such as face-to-face industry symposia.

In summary, the interviews suggest that English wine producers value interfirm relationships as a source of learning and, with the support of institutional assets associated with the industry, a culture of interfirm cooperation appears to be prevalent among small enterprises working within the English wine industry. In trying to account for the presence of such a culture, the theory of communities of practice – with its emphasis on passion for a joint enterprise and everyday interaction as a stimulus for learning – is a useful lens through which the informal exchange of knowledge among wine producers may be understood. The definition of a community was supported by the institutional infrastructure within the region, which provided a variety of spaces (both face-to-face and virtual) for the mutual engagement of English wine producers. Thus, the findings lend support to the hypothesis that informal interfirm relationships, set against a common institutional background (Wolfe and Gertler 2004), support the formation of knowledge and learning within industrial districts.

However, the account of the English wine industry presented thus far is only partial, representing a territorial (or endogenous) conceptualisation of the processes that produce learning within industrial districts. During the interviews with the enterprises already described, the wine producers described at least three ways in which they acquired knowledge through non-local linkages. Firstly, the majority of vineyard owners had either worked abroad themselves or employed overseas winemakers. For example, the owner of an organic vineyard in East Sussex recalled the value of spending a period of time in Germany in the early 1980s: 'I spent some time going round vineyards over there and tried to improve my knowledge, which was pretty negligible really when I first started, and then when I eventually came back here, in 1984, to live permanently, I had quite good knowledge of German and I could use the handbooks, which are produced for German winegrowers.' Secondly, through use of the internet, English winemakers are able to consult websites associated with other winemaking regions and make use of them as a problem solving tool, as the winemaker at a vineyard in Kent described: 'you have access to an enormous amount of information and you can put in any question you have and someone somewhere will probably have an answer, and I can access New Zealand wine making websites, Australian winemaking websites, and you just take the

relevant information from there.’ Finally, employees of some vineyards would visit overseas trade fairs – temporary knowledge clusters according to Maskell, Bathelt and Malmberg (2006) – in order to witness new ideas and meet up with an international community of wine producers, as the winemaker from a different Kent vineyard explained: ‘I go with the boss to Burgundy Show each year; there is one show over there. Two years ago he couldn’t make it and it was in the South of France in Montpellier so I took my wife to that one and you meet up with people that you didn’t see at the show last year and you go out for dinner in the evenings and that, [and] chat over what you are doing’.

Understood as personal or informal processes of search, none of these examples appears to undermine the style of interfirm cooperation that is prevalent within the English wine industry, but they do indicate an openness and outward orientation among ostensibly micro-businesses to sources of knowledge outside the ‘home’ cluster that cannot be captured through a territorial lens. However, the rest of this paper now attends to other non-Marshallian trends that have emerged in the recent history of the English wine industry that do pose a challenge to the logic of learning through communitarian practices, beginning with those producers that have developed distanced networks with other winemaking regions to produce high quality English sparkling wine.

### **3.2 The distanced network**

The English wine industry gained recognition when Nyetimber Vineyard, established by an American couple in the late 1980s, won a trophy at the revered International Wine & Spirit Competition (IWSC) for their bottle fermented sparkling wine in 1998. The trophy was then secured by another family-owned English producer, RidgeView Wine Estate, in 2005 before being won once again by Nyetimber in 2006<sup>6</sup>. What is remarkable about the wine produced by both of these vineyards is that it is made exclusively from the three grapes used in Champagne – Pinot Noir, Pinot Meunier, and Chardonnay.

The families behind both of these wine labels entered the English wine industry with the explicit aim of making a premium sparkling wine that would rival Champagne. Founders of Nyetimber, Stuart and Sandy Moss, sold their two successful businesses in Chicago, one selling antiques and the other medical equipment, to move to England in 1987 and plant a thirty-five acre vineyard on the estate of a medieval house in West Sussex. Without any experience of winemaking but with substantial financial resources, the couple developed the capabilities necessary to emulate a Champagne house: they selected a site with a geological structure and climate comparable to Champagne and planted the



appropriate clones of vines; they imported the latest winemaking equipment from Epernay, including a Magnum press, stainless steels tanks, and automatic riddling machine; Sandy Moss, the designated winemaker, enrolled on a winemaking course at Plumpton College and worked two vintages at wineries in the Champagne region; and finally they employed the support of a French oenologist, the renowned Champagne consultant Jean-Manuel Jacquinet.

The story behind the development of RidgeView is remarkably similar. In 1993, Mike and Christine Roberts sold their IT business, which had an annual turnover of £70 million, and purchased a thirty acre estate in East Sussex. With advice from consultants based in Epernay, the family planted 20,000 vines from 13 different clones of the classical Champagne grape varieties. To coincide with the first harvest, a modern winery was built with cutting-edge equipment sourced from the Champagne region. In order to align its practices with those prevalent within Champagne, RidgeView voluntarily follows the rules set by the Comite Interprofessionnel du vin de Champagne (CIVC), the Epernay-based trade association which protects and promotes the Champagne appellation. RidgeView adheres to their policies governing winemaking practices, including control of grape varieties, production yields, pressing techniques, and aging periods. RidgeView's wine is in high demand, with key stockists including The Wine Society, The Sunday Times Wine Club, and the supermarket Waitrose.

The arrival of Nyetimber and RidgeView signalled a break with tradition for the English wine industry. Although there were other producers of sparkling wine, none specialised in its production or were capable of imitating the production and marketing techniques of the Champenois of France. Rather than add to the English winemaking tradition of making still aromatic wines from German varietals, the managing director of RidgeView explained why he decided to focus on the style of wine made in Champagne:

To me it was much more obvious to look at what's the nearest, and the nearest place to us is actually Champagne. If you start to look at that commercially, they have all of the same attributes that we have. They have virtually the same climate because of their proximity; they have virtually the same demographics; they are right next door to a major international capital; they have in fact the same geology. So they make Champagne as a very highly added value wine, as opposed to just making a wine.

In order to replicate a model of wine production external to the cluster, Nyetimber and RidgeView strategically constructed relational networks with the

Champagne region – through the sourcing of equipment; advice from French oenologists; adherence to the appellation rules; and frequent trips to and periods of work within the region. The corollary to the orientation towards Champagne is less reliance on sources of knowledge within the English wine cluster:

I believe that if you have an issue, the first thing to do in sparkling winemaking is not to ask anybody here but to go and ask somebody in Champagne. And the chances are – whatever has happened so far – there is an answer. Somebody has already had that problem. And that's why we keep... we have a proper relationship with an oenologist in Champagne, just as every smaller Champagne house.

Managing Director, RidgeView.

Similarly, following a change of ownership in 2006, Nyetimber has attempted to renew links with Epernay by sending the winemaking team over to the region to do a tour of the Champagne houses. With reference to a recent visit, a representative from Nyetimber suggested during interview that establishing relationships with producers in this region would prove more valuable than being able to access the knowledge of local winemakers:

...they have built up a load of really good contacts over the last couple of weeks and we will now get far more involved, because they've been doing it for hundreds of years so they should know what they're doing. They are probably more helpful to us in lots of ways than may be someone who has been at Plumpton a couple of years and just worked within the English trade.

However, it would be wrong to suggest that these producers only rely on the knowledge and resources they are able to access through distanced networks. This can be illustrated through two examples. Firstly, it was by attending the winemaking course at Plumpton College in the late 1980s that Sandy Moss came into contact with Jean-Manuel Jacquinet. The oenologist was working as a technologist at a research institute in Champagne that the students visited during a trip to the region, and Jacquinet has worked closely with Nyetimber ever since. Secondly, the co-owner of RidgeView is heavily involved in the institutional arrangements that underpin the social and political interests of the English wine industry. As well as being the chairman of the marketing association, he is on the board of the industry's trade association, the food group partnership for the south east of England, and is a member of the curriculum advisory committee for Plumpton College. While being oriented towards sources of knowledge that are external to the cluster, RidgeView clearly

attaches importance to localised linkages in so far as they represent an opportunity to influence the status of the industry as a whole. The impending threat of an EU planting ban within the UK (which was lifted with the support of the UKVA in December 2007) and the sense that the industry as a whole needs to improve in order to improve the reputation of English wine are two factors that were found to motivate such engagement.

In summary, what is common to the success of Nyetimber and RidgeView is the investment both have made in building relational networks with the Champagne region. They have relied on significant capital resources to pursue learning practices that are oriented towards the Champagne region, while possessing a scarcity of relational links with other vineyards in the 'home' cluster. The experiences of these two producers support Amin and Cohendet's (2004) contention that industrial districts should be understood as relational spaces, with networks of learning that do not necessarily coincide with the population of related enterprises in a geographically circumscribed industrial district. In this case, the distanced geography of learning reflected firm-specific investments in technology, winemaking consultancy, and the adoption of CIVC appellation rules – all driven by imagined proximity to a revered winemaking region. The lack of ties with other producers within the English wine industry is the product of the limited experience in England of making sparkling wine commercially, when compared with the largest commercial producers in Epernay, many of whom have successful operations that date back to the eighteenth century. It is perhaps through political representation and as hallmarks of progress within the industry, rather than as sources of learning, that these organisations make a contribution to the prospects of the English wine industry.

### **3.3 The organisational network**

Only approximately a quarter of vineyards in England and Wales have their own winemaking facilities. This is in large part due to the small scale of many vineyards relative to the capital investment needed to purchase the modern-day technology used to ferment grape juice in such a manner as to produce high quality wine. As such, these vineyards depend on the presence of other wineries with the capacity to take in and process their grapes. While many vineyards will contract a winery to make and bottle their own wine, the focus here will be on the practices of wine producers that purchase grapes from other vineyards to make a high volume of wine under their own label.

The largest producer of English wine, English Wines Group plc, employs this business model to produce around 500,000 bottles of wine per annum<sup>7</sup> – approximately a fifth of all wine made in England – under the label ‘Chapel Down Wines’. The concept behind the company – founded in 1992 by the son of an English winemaking family – was to place the accent on technology-led winemaking rather than labour-intensive grape growing and thereby ‘bring about economies of scale and allow the wines to be professionally marketed’ (Skelton 2001: 254).

The rise to prominence of Chapel Down has been underpinned by considerable financial commitment and the desire to manage the wine production process strategically, with the accent on the marketing of their wine. Frazer Thompson, who previously occupied director level positions with major drinks businesses, became managing director of Chapel Down in 2002. A marketer by training, Thompson focused on the brand positioning of Chapel Down wines, placing the then largely Germanic grape varieties under the label ‘Curious Grape’, while attempting to expand production of the ‘premium’ French varieties used in sparkling wine. This shift in emphasis is described on Chapel Down’s website:

The learnings of the commercial period of viticulture between 1970 and 2001 are being applied in the new millennium to draw out the character and flavours of both single varietals and blends that more than match offerings from the New World. At our own vineyard in Tenterden we have now grubbed up many of the older, hybrid Germanic varieties, keeping only the ones that really do thrive in England and produce consistently high quality grapes. Conversely we have increased plantings of the noble French varieties like Chardonnay and Pinot Noir. We are also encouraging our growers to do the same as demand for our premium wines increases.<sup>8</sup>

The company has contractual relationships with 23 vineyards across the south east of England. As well as having a 16 acre vineyard onsite, this model of production gives Chapel Down access to a further 180 acres of vines, which they aim to expand to 1000 acres by 2010. The contractual relationships with the grape suppliers are exclusive and durable, with a standard contract period of twenty years. The main parameters governing the terms of the contract relate to the quality of the grapes. The suppliers are penalised on price if they fail to comply with permitted crop yields, acidity levels, ripeness, frost damage, and presence of fungal pathogens. The contract ensures that the onus for supplying a good quality product falls on the grape grower. However, Chapel Down will

provide advice to both new and established suppliers on the optimum viticultural processes for producing the highest quality grapes, as defined in the contract. This might include inviting suppliers to the vineyard at Chapel Down to demonstrate recommended practices, but the actual methods through which the contractual guidelines are met are left up to the grower.

Reflecting on these relationships, the managing director of Chapel Down described the organisation as ‘a bit of a hub, but it’s not a proactive hub’. This is a useful way of conceptualising Chapel Down’s organisational network for two reasons. Firstly, despite the relative proximity of the vineyards within the South East, the conditions prevalent at each site vary according to grape type, geology, topography, and micro-climate effects. Thus, it would be a challenging task to attempt to ‘micro-manage’ the viticultural practices within all of these vineyards on an everyday basis. Secondly, it is not clear whether attempting to engage in this sort of management would either be necessary or desirable. Compared with producing and selling wine, the process of growing grapes is a relatively routine activity, which can be accomplished by growers with a range of experience:

Some are complete rank amateurs who have never had a go at this before and they’re reading the book as they go along. Others are professional fruit growers who know what they’re doing, and vines actually in many ways are pretty much the same as any other soft fruit or top fruit. They’re treated in pretty much the same way, the same regimes of spraying and pruning and manicuring and cuddling them. It’s the usual kind of stuff to be honest. So there’s a mystique talked about vines. I’m being very brutal here, and even more brutal the truth is, the only thing that matters, the only thing that matters, is what comes in at harvest – and, are the grapes clean?

Managing Director, Chapel Down.

Owing to the routine nature of grape growing and the variability in growing methods that may be tolerated, the learning practices orchestrated by Chapel Down among the sub-network of suppliers are relatively modest. The network of grape growers can be aligned sufficiently through the contractual regulation of quality. If the growers fail to reach the agreed parameters concerning quality, they will be penalised in terms of the price agreed for the grapes, assuming a transaction takes place at all. Thus, while Chapel Down’s network of grape growers represents the greatest geographical concentration of enterprises within the English wine industry, there are few formal mechanisms for encouraging learning horizontally through this network. The greatest contribution of Chapel Down may lie in its desire to steer its network of grape suppliers towards the

planting of ‘premium’ grape varieties, particularly those used in sparkling wines such as Champagne. The suitability of England’s ‘terroir’ to sparkling wine production is supported by the opinion of Jane MacQuitty, wine writer for *The Times*, ‘England’s cool northern climate, just like the Champagne region’s, and southern England’s chalky soils in particular, produce the sort of skinny, aromatic, high-acid wines that are naturally suited to sparkling wine production’ (MacQuitty 2007). This is reflected in the price that Chapel Down is able to charge for its sparkling wines, which range from £16 to £30 per bottle, while its range of still wines makes a lower marginal contribution to revenue, retailing for between £7 and £13 a bottle<sup>9</sup>. Understanding that the future growth of the English wine industry is likely to be linked to success in producing sparkling wine, Chapel Down appears to be acting in a similar fashion to the ‘network-leader’ firms in the manufacturing districts of northern Italy (Amin 1999), using marketing and production knowledge to spearhead product-specific innovation within the industry while managing a subcontracting network of suppliers.

While, on the one hand, the entry of more commercial producers is supporting the development of the industry through such practices, it also appears on the other to be starting to undermine the conventions of reciprocity and informal cooperation that were prevalent within the industry, as described earlier through the social practices of the communitarian network. The reason for this, at least according to the owner of a micro-scale wine producer based in Kent, is a conflict between the imperatives of the traditional owner-producer and larger-scale enterprises that have entered the industry with external funding and a corporate-style structure:

It’s a sort of dog eat dog – vineyard eat vineyard – not quite as bad as that, but as soon as money moves in everything becomes corporate. The personal angle is taken out of it and you’re just dealing with employees and managers and people who are only concerned about keeping their job and not anything else. But they’re employees; they’re not going to spend any time thinking about it; all they’re worried about is getting paid at the end of the month and making sure that they don’t get the sack. But before it was all owner producers like me, so we had a vested interest in it – not just a vested interest, but had a personal interest in it, whereas that doesn’t really exist anymore.

Although it would be wrong to generalise from this one case, the scenario depicted by the producer above does appear to resonate with the sense of learning through informal interaction that is characteristic of communities of

practice, and the possibility that this process may not be reproduced by capitalist firms. Such firms are ‘clearly bounded’ – to borrow a term from Markusen (1999) – and these boundaries ‘are written down in asset, cost and revenue statements that owners and managers, whether private or public, scrutinize carefully every quarter’ (p.878). The examination of the performance of the last two networks, distanced and organisational, which were established by wine producers with access to public or private capital, does support the view that the learning practices of some successful firms within industrial districts are ‘bounded’ and this seems to reflect the need (in the case of publicly funded companies) and capability of such enterprises to access knowledge and critical resources through formal contractual relationships.

### **3.4 The redundant network**

The final organisational form identified through the research was firms that manage all aspects of the production process in-house – grape growing, wine production, and ‘cellar door’ distribution. These organisations are largely self-sufficient and rarely need to engage in collaborative practices with other enterprises and therefore appear ill-suited to the conceptualisation of informal learning within Marshallian districts. The grandest example of such an operation is Denbies Wine Estate, situated in Dorking, Surrey. The vineyard was planted by the White family, then owners of a multinational water treatment company, in 1986. With 265 acres under vine, Denbies is the largest vineyard in the UK and three times the size of any other venture.

The story behind the development of Denbies has become a part of English viticultural folklore. The White family were approached by a local geologist, Professor Richard Selley, who argued that the North Downs of Surrey and the Champagne region of France share the same rock formation, Cretaceous chalk limestone. The topography of the Estate, consisting of various southerly and south-easterly slopes, was also suitable for growing vines. On this advice, the family decided to convert the Estate’s cattle and pig farm into a vineyard. With the support of consultants from Geisenheim, Germany, the vines were planted between 1986 and 1989 and a winery was installed in the former cattle buildings (Skelton 2001).

As well as the expansiveness of the vineyard, what is distinctive about the operation at Denbies is the commitment to attracting visitor revenue. The enterprise offers a ‘wine experience’ tour that has become a tourist attraction in its own right. Visitors to the Estate are able to ‘experience the wonder of the vineyard’ in a 360 degree cinema; receive a guided tour of the vineyard on the

‘land train’; travel through the winery on an indoor ‘people mover’; and finally get to sample the wines in the cellars or in one of the two on-site restaurants. As well as educating and entertaining the captive audience, the visitor centre represents the main source of revenue for the vineyard accounting for 65 per cent of their sales of wine.

The emphasis placed on ‘wine tourism’ is not just about acquiring an additional source of revenue. Selling wine directly to consumers allows the producer to accrue a greater return per bottle without accounting for the distribution costs associated with wholesalers or national retailers. The scale of this practice ranges from the small farmer selling one or two bottles out of the fridge to occasional visitors through to producers with impressive on-site shops and restaurants, with associated winery and vineyard tours. The opportunity to sell wine directly to the public or via local restaurants and hotels has been supported by increased consumer interest in food provenance, as the general manager of Denbies explained in interview:

There is very much a resurgence at the moment of locally produced produce: there is the carbon footprint, and so there are a lot more new customers springing up. We have got a farm, local farm shops and independent wine merchants and restaurants, because people want to know where their produce comes from and it gives a selling point for local hotels, for example, being able to sell local produce.

The other main benefit associated with being organised as a vertically-integrated firm relates to the control that this affords over the production process. Rather than managing an organisational network and sourcing grapes from other vineyards, cultivating the produce on-site allows organisations such as Denbies to concentrate on the quality of the grapes when making production decisions:

Because we produce it on the estate we can take a few more risks than perhaps the other vineyards who are buying in from other people. We can say, ‘oh we will leave it up there for a little longer and see if it improves’ and if we need to bring it in in the next 24 hours you can do that and get the picking machine out there whereas a farmer may need a return on this produce and sell it to them perhaps before it is quite ready.

General Manager, Denbies.



Although such enterprises do, by definition, rely on internal production capabilities, in attempting to understand the role that vertically-integrated firms play within the 'industrial milieu', it is logical to ask whether they also make use of informal and institutional sources of learning available within the district. The evidence suggests that such organisations are at a stage in their evolution where they no longer need to depend on unstructured sources of knowledge, such as those available through interaction within the trade association, and are capable of managing the vagaries of viticulture and winemaking successfully in-house. The following quotations from the winemaker at another vertically integrated producer based in East Sussex and established in the 1970s illustrate the lack of value he attaches to the support provided by the trade association and informal interaction with other vineyards, respectively:

They're [UKVA] useful for a lot of the smaller producers, people starting up, that sort of thing, but we've been in the game long enough now to know what we're doing.

Without getting too complacent it's unlikely that we would phone another vineyard up and say we've got this problem, we've got that problem. We're much more likely to talk outside the English wine industry to people.

The winemaker went on to state that the enterprise for which he worked had not been a member of the trade association for a number of years, as any surplus revenue was allocated instead to the functions of sales and marketing. From the point of view of this winemaker, at least, informal interfirm relationships were more relevant for newly established enterprises seeking knowledge related to the basic oenological processes associated with viticulture and winemaking. This interpretation is supported by a comment made by the owner of a large estate who had recently entered the industry to produce grapes under contract for one of the main wine producers. New to viticulture, the owner had sought informal advice from a manager at Denbies, 'I met my opposite number at Denbies, funnily enough, who are of course relatively close to us and they are quite a different organisation. I met the vineyard manager there and talked mainly about machines and that type of thing'. Thus, while large enterprises such as Denbies do not actively seek support from other enterprises within the district, due to their visibility within the industry they are consulted by smaller enterprises. In line with Giuliani and Bell's (2005) findings on the interfirm relationships within a Chilean wine cluster, it appears as though reputable firms, even those which are vertically integrated such as Denbies, will be approached by smaller firms as sources of technical advice, although the 'willingness to

engage in unreciprocated knowledge transfer to other local firms' (p.61) of the imparter of knowledge remains an open question in relation to this study.

#### **4. Conclusion**

This paper sought to open up the debate about the role of informal interfirm cooperation within industrial districts in the context of a 'relational' conception of space that has recently been developed within the field of economic geography. Specifically, the aim of the paper was to assess the role of firm-specific processes in shaping the practices of learning that are observable within industrial districts and to assess the impact that these have on the status of informal or communitarian networks that are characteristic of Marshallian districts.

The findings from the research on the English wine industry suggest that, while the development of the industry since the 1960s has been characterised by informal interfirm relationships, in recent years these practices have started to give way to learning practices mediated through formal contractual relationships (many struck outside the 'home' cluster), as a number of new entrants, with the support of public or private capital, have been able to gain access to more structured sources of knowledge and critical resources than those hitherto available through informal interfirm networks. As these new networks have been associated in general with a higher level of performance (the IWSC trophies won by Nyetimber and RidgeView being one marker of this), this raises questions about the development of the English wine industry as a whole, when many of the small producers continue to rely on communitarian networks as sources of knowledge and cooperative resources. In their study of a Chilean wine cluster, Giuliani and Bell (2005) claim that, despite the heterogeneity of firms based within the region, the 'glue' that holds the cluster 'knowledge system' together is a concern among producers with the reputation of the wine that comes from the region as a whole, as 'the improvement of every producer in the area is likely to generate positive marketing-related externalities for the whole area, and these may outweigh the possible cost to these firms associated with imbalanced knowledge transfer relationships with competing firms' (p.62).

While similar arguments were made by a number of the producers interviewed within the English wine industry – that is, producers who stated that they would share knowledge to improve the general standard of winemaking within the region and thereby enhance the reputation of English wine in general – there are new tendencies emerging in the strategies of the largest producers which suggest that they are more interested in the development of their own brands

than engaging in marketing practices associated with English wine in general. The marketing association for the industry, which was established by a handful of the big producers in the mid-1990s, has not been used as actively by those producers in recent years, as a representative from the association stated in interview: ‘we used to meet fairly regularly and chat and exchange views and all the rest of it. In the last two or three years it has become quite apparent that obviously the big boys have got their own brands and as such obviously have their own remits and their own marketing views on what they should do and don’t necessarily want to sit around a table and discuss it’. Anecdotally, evidence that the leading producers might privilege their own brand, rather than that associated with the English wine industry, is related to ‘English Wine Week’ – the marketing association’s marquee event – during which one of the producers did not want the banner ‘Think English, Drink English!’ to be displayed in their wine shop. Given the tendency towards the development of individual brands among the leading producers, it is unclear whether concern with the general quality of English wine will sustain the participation of the leading producers in communitarian practices, and this casts doubt on the reliance of the common identity of ‘English wine producers’ as a locus of cooperative action within the industrial district.

With regard to the literature on industrial districts, the findings suggest that there are limits to interfirm learning through informal groupings such as communities of practice. This contention is not founded on recognition of the non-local aspects of knowledge formation, as other economic geographers have indeed shown that communities of practice can mobilise distanced sources of knowledge and expertise by bridging the distance between sites of creativity (Amin and Roberts 2008; Gertler 2008). Instead, it rests on the claim that organisations develop a formal architecture to secure knowledge and develop competences (Prahalad and Hamel 1990). This includes both in-house R&D activities governed by hierarchy and external relationships regulated by contract (Williamson 1996). As small enterprises require the backing of public or private capital to secure growth, market imperatives are all too often imposed on organisations by owners and new stakeholders, including a demand for ‘governable’ forms of knowledge. As industrial districts develop and small enterprises grow, the logic of the market appears to displace the operation of informal interfirm networks. These take the form of communities within industries that are patronised by the smallest enterprises most in need of cooperative resources. Thus, this perspective questions the pervasiveness of communities of practice within industrial districts and the significance of informal interfirm relationships as a driver of regional economic development.

However, it is possible to cast the role of the network of communitarian producers differently. The research revealed at least one wine producer that has made the transition from an enterprise that relied on communitarian knowledge to one that takes a more strategic approach to learning and the formation of marketing-related capabilities. The vineyard, based in West Sussex, has expanded production from an area under vine of six to fifty-three acres since 2000 and established retail relationships with a number of leading wine distributors. As the winemaker at the vineyard explained in interview, a key change has been the decision to focus on the brand and the marketing of the wines that they produce:

Well we have started looking at working on our own PR now and trying to promote ourselves as we are aware that, as a vineyard, people within the industry will buy wine based on what they know and that, if they know a vineyard is good or a winery is good, then they will tend to buy wine from there because they know they can trust it. So we try to work on that and promoting ourselves more than we have done in the past.

Through the exploitation of communitarian relationships with other wine producers, the development of enterprises such as this may be nudged forwards sufficiently to create a space to focus on more strategic competences, such as the conduct of PR activity. Thus, while favouring incremental forms of learning, the operation of communitarian networks may help small enterprises entering the industry to offset the significant sunk costs that have to be invested three to eight years prior to the sale of the first commercial harvest (including the purchase of land, root stocks, technology, and skilled labour) by providing a forum (perhaps even transitory) for the exchange of ideas and the development of the new vigneron of the industry.

This suggests that public policy effort in supporting small firms within craft-based industries should be geared towards providing resources to the institutions that help to underpin the social practice of communitarian networks (such as producer associations and centres of learning), but also respond to the needs of enterprises that wish to develop more formal structures of knowledge, particularly around non-production functions such as marketing and business strategy that are more likely to require the acquisition of new skills. To be fair, regional policy is already geared towards developing the commercial skills of traditional enterprises, through for instance jointly sponsored EU and UK initiatives such as the 'Rural Development Programme for England'. With funding from this programme, as well as providing match-funded capital grants

for production equipment, regional development agencies are delivering support for knowledge-related activities, including industry-specific training opportunities and helping firms to exploit new market opportunities. Given the success of the distanced networks used by the leading wine producers identified in this research, a non-territorial source of innovation that also merits attention is the construction of institutional networks with other successful regions, whether close geographically or far.

## Notes

<sup>1</sup> Figure taken from Skelton (2001: 229).

<sup>2</sup> Figure based on Quality Wine Scheme statistics for 1992-2006 from Wine Standards Board (email communication).

<sup>3</sup> See [http://www.denbiesvineyard.co.uk/about/press\\_releases.html](http://www.denbiesvineyard.co.uk/about/press_releases.html) (last viewed July 2008).

<sup>4</sup> See <http://seva.uk.com/moodle/> (last viewed July 2008).

<sup>5</sup> Figure for 2007 from English Wine Producers (<http://www.englishwineproducers.com/stats.htm>).

<sup>6</sup> Nyetimber and RidgeView won the Yarden Trophy for the best sparkling wine in the world (excluding Champagne). See <http://www.iwsc.net> (last viewed April 2007).

<sup>7</sup> See <http://www.englishwinesgroup.com/vineyards/winery.asp> (last viewed July 2008).

<sup>8</sup> See <http://www.chapeldownwines.co.uk/ourwines/ourgrapes.aspsite> (last viewed October 2007).

<sup>9</sup> See <http://www.englishwinesgroup.com/shop/> (last viewed July 2008).

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