 | Oct 15, 2018, 10:49am

The Challenges of Multi-Generational, Family Wine Businesses

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Food & Drink

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The bulk of wine industry companies are run by families. An estimated 95 percent of the roughly 10,000 wineries located in the United States are family operated, according to Deborah Steinthal, managing director of the consulting firm Scion Advisors. However, passing the baton isn't always easy.

Some 70 percent of family-run businesses don't make it to the second generation, according to the Conway Center for Family Business. Some of the best practices for the next generation include sending the heir-apparents out to work in other sectors. It generally doesn't work "if someone stays at the winery and never sees the big city," said Rob McMillan, founder of the Silicon Valley Bank Wine Division.

Most family businesses can be challenging to run, said Steinthal. The majority are under $5 million in revenue and managing a group of family members is complex because family dynamics are frequently emotional and hard to leave behind at work.

However family-led businesses perform well when well run and the wine industry has a good track record. "When they are working well, family businesses perform better than non-family businesses," Steinthal said. This is often because families tend to be innovative, committed and move rapidly when needed, she added.

The Biggest Hurdles

Family businesses can be prone to in-fighting and sometimes lack-long-term funding and vision. "Ninety-eight percent of family businesses never get past the third generation," said McMillan. "Just because your name is on the bottle doesn't mean you can run the company."

Sandeman still manages the family Port business. Credit Sandeman/Sogrape SANDEMAN/SOGRAPE

"The perils of family-owned companies are widely documented and range from the loss of entrepreneurial focus with generational transitions … to the practice of nepotism in decision making," said George Sandeman, chairman of the Port brand, whose family entered the business in 1790. His family sold the company to Sogrape in 2002. "In general, successful family owned companies balance these risks with a mix of family intervention and professional management."

As a result, many families limit the number of children that can work in the business and often require them to attain advanced credentials, noted Jon Moramarco, a partner in Gomberg & Fredrikson. "You will always have to deal with birth-order issues," concurred Barbara Glunz-Donovan, co-owner of the 130-year-old, Chicago wine shop The House of Glunz.

Benefits and End Goals

One of the biggest advantages of family-run businesses is that many decisions are made on long-term basis, said Banfi CEO and President Cristina Mariani-May, whose company is celebrating its 100th anniversary this year. She, like most of the executives who were interviewed, don't yet have transition plans in place as they are at the peak of their careers.

Cristiana Mariani-May is currently the CEO of Banfi. Credit: G Rizzotti/Banfi G RIZZOTI

Family-run entities also relate well with other family-owned companies. “The fact that we’re a family-run business has an important influence on our relationships with our winery partners. That’s because many/most wineries are family owned and operated, just like Young’s. We ‘get’ them,” shared Chris Underwood, the CEO of distributor Young’s Market.

“The key to transitioning from one generation to the next is to ensure that the new generation has a true understanding of the fundamental values of the company and family history," shared Alessia Antinori, the vice president of Marchesi Antinori, whose business dates back to 1385.

The best shepherds of family wine businesses leave them in better standing than when they started. "Family-owned businesses have the advantage of taking a long-term view on the business and in the asset-intensive wine business this is a plus," said Sandeman.

Many family businesses find that their best decision is to sell the brand to a corporation with deep pockets. This is the route many of the Port houses have taken when there were either too many family members or too few who wanted to join the business.

Jorge Rosas of Ramos Pinto was part of the team that transitioned the Port house to French ownership. Credit: Ramos Pinot/MMD MAISONS MARQUES & DOMAINES USA, INC./RAMOS PINTO

"The best way to transition a family-operated wine business is to assure that the next generation or corporate ownership will respect the philosophy of the house," said Jorge Rosas, CEO Ramos Pinto. He added that his family decided to sell the winery to Louis Roederer "because there were too many shareholders and it was thus increasingly difficult to guarantee efficient management of the company."

I have been writing, educating and consulting about wine, cocktails and food for more than two decades. I also do innovative wine events for corporate team building and educational projects for wine producers and regions. I have worked almost every angle of the wine and food... MORE