Lone River Winery Company: A Case of Virtual Organization and Electronic Business Strategies in Small and Medium-Sized Firms

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EXECUTIVE SUMMARY

This chapter discusses a case example of Internet infrastructure and e-business strategy management in small and medium-sized firms (SMFs). The case focuses on the key features of electronic business strategy using a virtual organizing framework. Based in the Swan Valley region of Perth, W. Australia, Lone River Winery Co. Ltd., has over the past five years employed the Internet to extend its business scope beyond the Australian wine market. The company produces and markets some of the choicest brands of Australian wines in the UK and Japan using an integrated online ordering and inventory control system. This has saved the company a lot of money and generated sales increases without having to invest in more staff and warehousing facilities. For Lone River Winery (LRW) Co. success on the Net has depended on some critical factors such as in-house technical expertise, continuous search for tools and techniques for managing the firm’s core operations, and the continuous reorientation of the online business model in response to changes in the local and international markets.
BACKGROUND

Lone River Winery Co. Ltd. (LRW) is a small family run winery business located in the booming wine industry region of Swan Valley in Western Australia. It was established in 1972 and owned by two members of the management. The CEO of LRW, James Simpson, is an ardent wine expert but also considers himself a serious information technology user since the early 1980s. The company cultivates a total of 12.5 acres in addition to supplies from contract growers. LRW produces a variety of Australian choice wines with main markets in Australia, Japan, UK, Singapore, Malaysia and Taiwan. Its annual production level is about 10,000-15,000 cartons. LRW specializes in Chardonnay, Chenin Blanc, Sauvignon Blanc, Verdelho, Cabernet Sauvignon, Merlot and Shiraz varieties of grapes for its wines. The company employs six permanent staff including three members of the Simpson family. The company also employs about 15-20 part-time staff performing a variety of tasks at the winery (e.g., cellar door wine tasting, wine sales and wine café activities).

SETTING THE STAGE

The importance of the Internet for small and medium-sized firms as a means for developing competitive business infrastructure and as platform for innovative business management strategies is widely acknowledged. This chapter looks at nonagricultural small and medium-sized firms (SMFs) which are classified by the Australian Bureau of Statistics (1999) as having up to 200 employees. These are further grouped by number of employees into micro (less than 5), small (5 to 19) and medium-sized (20 to 200) firms. The Internet infrastructure of a firm is the collection of network technologies, e-business applications, and digital and human resources which enable and/or define the online business operations. Using the Internet, SMFs can build enterprise-wide electronic business (e-business) infrastructures that effectively integrate into those of key market players including suppliers, partners, competitors and customers. One overriding advantage of an Internet-based business infrastructure for small and medium-sized firms is the capacity to extend the scope of their business operations beyond the limitations of their size, resources and competencies (Tetteh, 1999; Tetteh and Burn, 2000). Online small and medium-sized firms adopt a number of generic business formats and strategies in order to benefit from the unique capabilities of the Internet, especially to develop strategic networks, manage market-spanning value chains, add to their core resources and competencies as well as expand their customer bases.
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