Given the entrance of new producing countries (not only North and South America, but also, Australia, New Zealand, India, China), the wine market is exposed to increasing competition across all the world. Territory-oriented strategies are more and more confronted with trademark- and brand-oriented strategies. Being traditionally more inclined to the former, the European regulation is renovating its boundaries through a major reform of the Common Market Organisation of Wine, where a new ratio between the strategies is searched for.

The current economic crisis is, at least partially, influencing the growth perspectives of the sector, increasing the role of the modern distribution channels and imposing a renovation of the chain structure. While in the latest ten years some concentration has taken place, the large majority of wine producers is still composed by small and micro enterprises. The fragmentation of the wine supply brings inefficiencies and influences the allocation of power and value along the chain, increasing the asymmetry between production and distribution. The higher degree of concentration on the distribution side emphasises this gap.

Starting from this premise, the paper examines the role of organisational innovation as tool for improving competitiveness within the global wine market. In particular the function of inter-firm networks is examined as forms of governance of the wine supply chain.

The role of contracts as governance devices has been highlighted by law and economic theory having special regards to bilateral relations (Jennejohn, 2007; Gilson, Sabel and Scott, 2008). The multilateral dimension of contracts is stimulating an important and fruitful debate in the area of network theory (Cafaggi, 2008; Amsutz and Teubner, 2009), requiring further analysis as regards the role of networks in allocating risks, benefits, powers and liabilities along the economic value chains.

This paper analyses the possible functions of inter-firm networks to govern the wine supply chain through the multiple ties built between the several agents operating as producers (of goods, services or both) or distribution enterprises.

While contract theory suggests that contracts between these agents are mostly incomplete and deeply influenced by limited rationality and information asymmetry, more recent studies concerning the theory of networks identify specific modes of contract completion and cooperation-enhancing mechanisms as possible responses to contract failures. Taking into account the interdependence

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1 Professor of Comparative Law at the European University Institute, Florence, Italy (fabrizio.caflaggi@eui.eu).
2 Professor of Private Law at the University of Trento, Italy (paola.iamiceli@unitn.it).
between the agents’ activity and the ability of inter-firm collaboration through the value chain to creating additional value, the network governance plays a pivotal role in providing incentives for collaboration and enhancing the efficiency of the chain.

The authors intend to examine the governance function of inter-firm networks presenting some of the emerging models in the context of an empirical and comparative research on inter-firm networks in the wine industry in five European countries (Italy, France, Portugal, Spain, Hungary). More particularly, they will focus on two types of networks: (a) networks whose formation is driven by distributors, having special regards to retailers and intermediaries operating in the Ho.Re.Ca, channels and in the large scale distribution system, as coordinators of chains for the production of “private label” wine, moving upstream in the supply chain; and (b) networks driven by final producers integrating downstream (part of) the distribution function.

The effects that similar schemes produce in shortening the value chain have important consequences in terms of transaction costs’ reduction, enhancing efficiency. This is particularly important when enterprises are extremely fragmented as to size and control over critical resources. Inter-firm networks also influence the modes of allocating powers, profits and liabilities along the chain, offering original responses to contract failures connected with incompleteness and information asymmetry.

The comparative analysis between the observed models leads to a better understanding of the critical role of network design and path dependence. Contractual networks are compared with organisational networks and with mixed models in which contractual and organisational devices are used jointly. The analysis shows that the role of networks as governance devices of the supply chain is deeply influenced by the ability to providing incentives and allocating risks, powers and profits while taking into account the interdependence arising along the chain regardless the legal boundaries of the single relation between agents.

The paper proposes concluding remarks concerning the role of organisational innovation in enhancing the efficiency of the wine supply chain.