

Brewing collaboration

How horizontal collaboration can benefit micro and small enterprises

Micro, small, and medium enterprises face the most difficult market situations due to their limited resourcing and resilience to change. Low economies of scale, limited resources and capabilities, limited human, financial, and informational resources, and a lack of legitimacy all constrain micro and small enterprises compared to their larger rivals. As such, micro and small enterprises are looking beyond their own organizational boundaries in order to find collaborative approaches with rivals and partners alike, in order to create more successful business environments and marketplaces. This is a critical practice for the global economy, and one which should be supported and endorsed at all levels, due to the fact that micro and small enterprises form the bedrock of the global economy. They are counted as critical engines of economic growth, innovation, and employment, despite their commonly experiencing liabilities of smallness making them more vulnerable to resource constraints.

The work of [Lotfi et al. \(2021\)](#) looked at the brewery sector in Wales in order to better understand the benefits of horizontal collaboration for micro and small enterprises. In Wales, micro and small enterprises account for 98.6% of all businesses, 95% of which are micro enterprises – with a headcount of less than 10. As such, micro and small businesses contribute around 50% of the Welsh workforce, and are responsible for over 24% of the turnover in Wales. They are therefore a critical and central part of the Welsh economy, and are therefore likewise an integral part to the global economy as this situation is not specific to Wales. The brewing sector globally is dominated by several large players who control and command the market, such as AB InBev – who since 2016 have also owned SABMiller, another global brewing behemoth – Heineken, and China Resources Snow Breweries. Few are able to compete, and those that are innovative enough to be disruptive – such as Brew Dog – are quickly acquired by the largest players and added to their portfolios. In order to compete, therefore, micro and small breweries are turning to horizontal collaboration in order to build a more resilient competitive footing.

Collective resilience

Horizontal collaboration is the relationship between firms at the same level of the supply chain. These arrangements allow micro and small enterprises to come together to form internal economies of scale, providing a platform for faster new product innovation, reduce the uncertainties of the market through collective sensing of rapid changes, whilst facilitating upskilling and learning of employees, as well as potentially accessing more capital investment with fewer costs. Within the Welsh brewing market horizontal collaboration has facilitated relational rents generation. Yet the basis for collaboration has not been straightforward as the size of involved breweries has affected the relationships, with even minor differences in terms of scale and therefore resource power creating imbalances. It is demonstrated by the work of [Lotfi et al. \(2021\)](#) that there has to be an

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equality in terms of power and voice when collaborative breweries are negotiating terms and conditions for such working ventures.

Despite this minor issue, there is general success on a large scale, with even rivals competing for a share in a local geographic area finding benefits to collaboration. This, for instance, comes through the shared burden of initial cost investments such as joint logistics, shared production or bottling facilities, and sharing of expensive infrastructure and equipment where possible. Furthermore, horizontal collaboration has demonstrated how breweries are able to combine to better utilize wholesale strategies, create joint export mechanisms, and develop advertising campaigns which promote multiple brands simultaneously. By collaborating, such breweries are able to upset the typical asymmetry of wholesaler negotiations, providing a united front, and therefore gaining more bargaining power. For such collaborative practices to work, however, the breweries have to find positions of trust and transparency between themselves. Through this, true collaborative approaches can be found through fostering trusting relationships, in turn informing equal levels of accountability, responsibility, and benefit-risk sharing. To do this both informal and formal governance structures should be put into place, allowing flexibility in the collaborative system whilst preserving bedrock principles on which all parties can depend. This allows opportunistic behavior to occur but not at the expense of connected partners. By doing this, breweries in Wales are able to compete with the largest national and international breweries, promoting their own brand of product to greater success than ever before.

Comment

The review is based on 'A relational view of horizontal collaboration among micro and small enterprises: a study of the brewery sector in Wales' by Lotfi, M, Kumar, M., Sanchez Rodrigues, V., Naim, M. and Harris, I., published in the *British Food Journal*.

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Reference

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