Uncorking VINILOURENÇO: Which resources/capabilities are at the root of the company's competitive advantage, and how were they developed over time?

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Title: Uncorking VINILOURENÇO: Which resources/capabilities are at the root of the company's competitive advantage, and how were they developed over time?
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Abstract

When operating in moderately dynamic mature industries, companies tend to resist the idea of change. If the current business model is producing acceptable results, why engage in a change process? The answer comes with time, as sooner or later, changes in the environment will slowly emerge.

Investigating this phenomenon requires analysing two critical perspectives: the internal and external context of the companies. Therefore, the Resource-Based View and Dynamic Capabilities help understand both contexts, respectively. Scholars go further and argue that Dynamic Capabilities are a particular case of the Resource-Based View.

The presented dissertation aims to answer which resources/capabilities are at the root of a company's competitive advantage and how they were developed over time.

Through a case study approach, this dissertation explores how VINILOURENÇO, a family-owned SME operating in the wine industry, orchestrated its resources and developed new capabilities at the root of its competitive advantage over time.

The empirical findings obtained contribute to the existing literature by demonstrating how critical resources/capabilities are converted into competitive advantage, positioning the sources of competitive advantage on the side of capabilities rather than resources.

Keywords: Resource-Based View, Dynamic Capabilities, Competitive Advantage

Título: Desarrolhando a VINILOURENÇO: Quais recursos/capacidades estão na origem da vantagem competitiva da empresa e como foram desenvolvidos ao longo do tempo?

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Resumo

Ao operar em indústrias maduras moderadamente dinâmicas, as empresas tendem a resistir à ideia de mudança. Se o modelo de negócios atual está a produzir resultados aceitáveis, porquê envolvem-se num processo de mudança? A resposta vem com o tempo, pois, mais cedo ou mais tarde, mudanças no ambiente surgirão lentamente.

Investigar este fenómeno requer a análise de duas perspetivas críticas: o contexto interno e externo das empresas. Portanto, a Visão Baseada em Recursos e as Capacidades Dinâmicas ajudam a compreender ambos os contextos, respetivamente. Os académicos vão mais longe e argumentam que as Capacidades Dinâmicas são um caso particular da Visão Baseada em Recursos.

A dissertação apresentada tem como objetivo perceber quais recursos/capacidades estão na origem da vantagem competitiva de uma empresa e como foram desenvolvidos ao longo do tempo.

Através de uma abordagem de estudo de caso, esta dissertação explora como a VINILOURENÇO, uma PME familiar que opera na indústria vinícola, orquestrou os seus recursos e desenvolveu novas capacidades na origem da sua vantagem competitiva ao longo do tempo.

Os resultados empíricos obtidos contribuem para a literatura existente, demonstrando como os recursos/capacidades críticos são convertidos em vantagem competitiva, posicionando as fontes de vantagem competitiva do lado das capacidades, em detrimento dos recursos.

Palavras-chave: Visão Baseada em Recursos, Capacidades Dinâmicas, Vantagem Competitiva

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Table of Contents

List of Figures:

List of Tables:

List of Abbreviations:

CAGR - Compound Annual Growth Rate

DC - Dynamic Capabilities

IVDP - Port and Douro Wines Institute

MNE - Multinational Enterprises

RBV - Resource-Based View

SME - Small and Medium-sized Enterprises

VRI - Valuable, Rare, and Inimitable

VRIN - Valuable, Rare, Inimitable and Non-substitutable

VRIO - Valuable, Rare, Inimitable, Organised

1. Introduction

"SHALE SUMMERS, GRANITE WINTERS". This is the slogan of VINILOURENÇO, a wine producer located in Poço do Canto, a tiny village in the famous Douro Valley. According to the company, crafting great wines requires two elements: the characteristics of the shale and granite soils.

Similarly, analysing which resources/capabilities are at the root of a company's competitive advantage and how they were developed over time, also requires two elements: the perspectives of the Resource-Based View (RBV) and Dynamic Capabilities (DC).

Stressing the ownership of resources and focusing on the internal context of companies, the RBV fails to explain the process through which particular resources are transformed into competitive advantage, being static by nature (Priem & Butler, 2001). On the other hand, the DC arose, introducing the role of environment and highlighting the external context of the companies. Teece et al. (1997, p. 516) define DC as "*... the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments*". However, when operating in at least a moderate environment, companies are also more likely to develop (dynamic) capabilities, and such development contributes to a greater impact on performance (Schilke et al, 2018). The DC are criticised for lacking empirical knowledge and underspecifying how (dynamic) capabilities are developed (Schilke et al, 2018). Cardeal and António (2012) go further and argue that DC are the question of Organisation of the (Valuable, Rare, Inimitable, Organised) (VRIO) framework necessary to transform resources into competitive advantage. Therefore, the focus is now on the question of Organisation.

This dissertation uses a case study approach, providing an in-depth insight into how VINILOURENÇO became what it is today. The presented dissertation aims to answer the following research question: Which resources/capabilities are at the root of the company's competitive advantage, and how were they developed over time?

The presented document is structured in six chapters. After this brief introduction, the literature review follows, providing the theoretical concepts necessary to answer the proposed research question. The next chapter explains how the data was collected and analysed. A chapter explaining the strategic path undertaken by the company follows. In chapter five, the discussion chapter, it reveals which resources/capabilities are at the root of the company's competitive advantage and how they were developed over time. Finally, in the conclusion chapter, the main conclusions and limitations are pointed out, and a future research suggestion on this topic will be provided.

2. Literature Review

This literature review chapter comprehensively investigates the necessary literature to answer the proposed research question. It starts with an overview of (Small and Medium-sized Enterprises) SMEs' characteristics and explains why operational effectiveness does not lead to competitive advantage. Subsequently, the RBV and the DC will be scrutinised, and an explanation about why scholars argue that DC can be encompassed in the question of Organisation of the VRIO framework will be provided. The chapter ends by pointing out two possible frameworks to analyse the microfoundation of DC. An outline of wine marketing drivers is also included, given the sector in which the chosen company operates.

2.1 Characteristics of SMEs

Considering the rapidly changing environments characterised by globalisation, SMEs are vital and play a crucial role in a country's development (Paul et al., 2017), as they significantly contribute to labour market growth and innovation (Pavitt et al., 1987). Regardless of SMEs' low volume business and limited economies of scale, small firms register innovations per employee above the average, and innovation intensity emerges particularly in very small firms, suggesting that disruption intensity and firm size have a U-shaped correlation (Pavitt et al., 1987).

According to the European Commission, SMEs represent 99% of European enterprises, defining them as "*enterprises employing fewer than 250 persons that have a turnover of less than 50 million euros and/or a balance sheet total of less than 43 million euros*".

SMEs typically lack the financial, physical, and human resources and capabilities that (Multinational Enterprises) (MNEs) possess, and these constraints impact the implementation of strategies, performance, and patterns of SMEs (Steinhäuser et al., 2021). For the same reason, SMEs face higher vulnerability to exogenous shocks (Miklian & Hoelscher, 2021). Although this may be true, SMEs' behavioural strengths, like entrepreneurial capacity and motivation, less strict and sophisticated structures and managerial processes, enhance their competitiveness due to a quick and versatile decision-making process vis-à-vis MNEs (Paul et al., 2017).

In terms of ownership structure, SMEs also exhibit specific characteristics, with several studies highlighting the prevalence of family-owned SMEs. Nevertheless, the ownership structure has only a slight impact on specific performance metrics, and family SMEs are likely to perform as well as non-family SMEs (Kotey, 2005).

2.2 From Operational Effectiveness to Competitive Advantage

Operational effectiveness, on its own, does not represent a strategy. Operational effectiveness primarily involves reducing costs through continuous operational improvement, enabling a company to perform similar activities more effectively than its competitors. Under these circumstances, the result is only a short-term advantage as competitors can straightforwardly replicate these best practices. This results in a competitive convergence that does not convert into superior profitability for the firms because customers typically capture the value created (Porter, 1996).

Operational effectiveness is vital, but firms should focus on strategy. In this case, strategy means that firms must properly fit and execute different activities or activities differently, creating a valuable strategic position and delivering a unique value mix for customers. Considering the context in which firms operate, these trade-offs allow firms to position themselves in a sweet spot, fulfilling customers' needs in a way that competitors are unable to. This optimal position constitutes a competitive advantage (Collis & Rukstad, 2008; Porter, 1996).

It is important to outline that the competitive advantage concept can be defined through two schools of thought. One argues for financial returns, and the other for value creation.

On the one hand, according to Peteraf and Barney (2003) and Cardeal (2024), Ghemawat and Rivkin (1999) argue that for a firm to achieve a competitive advantage, it needs to have superior long-term financial returns over its industry or strategic group. On the other hand, Porter (1985, p.3) argues that "*Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price*". Accordingly, competitive advantage is obtained via cost leadership or differentiation, and firms should follow only one of these generic strategies to avoid end up "stuck in the middle" (Porter, 1985).

In a similar parallel of thinking, Peteraf and Barney (2003) provided a broad vision of competitive advantage, incorporating the economic value creation and the assumption that competitive advantage may be possessed by more than one firm operating in a given industry.

Therefore, assuming the firm's specific context, competitive advantage, determined by economic value, can be achieved through the difference between customer willingness to pay for a product or service and its economic cost to the firm, given the marginal's competitor offer. With this in mind, a firm owns a competitive advantage if the difference is higher than zero (Peteraf & Barney, 2003).

2.3 Resources & Capabilities

Wernerfelt (1984, p.171) initially pointed out that resources and products are two sides of the same coin within an organisation, given that "*most products require the services of several resources and most resources can be used in several products*".

Having said this, it is essential to define resources and capabilities. Resources are "*…all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc*", administered by a firm, that enable the development and implementation of strategies for efficiency and effectiveness improvement (Barney, 1991, p.101). Wernerfelt (1984) defined resources as tangible or intangible assets tied semi-permanently to a firm, considering assets a strength or a weakness. Due to transaction costs and transfer costs, and considering that some of these strategic assets involve tacit knowledge, firm-specific resources are complex to transfer among firms, enhancing the difficulty or impossibility of replication as they are deeply rooted in the firm's history (Teece et al., 1997; Amit & Schoemaker, 1993).

Equally important, Barney (1991) framed resources into three primary categories:

- Physical capital resources: including physical technology, equipment, geographical location and access to raw materials (Williamson, 1975).
- Human capital resources: including training, experience, judgment, and vision of managers/workers (Becker, 1964).
- Organisational capital resources: including reporting structure, formal and informal planning, controlling, and workers' informal relationships within and outside of a company (Tomer, 1987).

In addition, resources can be categorised into tangible or intangible resources (Hall, 1992).

Capabilities constitute the bundle of resources controlled by a firm, being perceived as intangible processes (organisational resources, organisational processes or routines) undertaken to organise and exploit the controlled resources to create and implement strategies (Cardeal, 2024).

2.4 Resource-Based View (RBV)

According to Cardeal (2024, p.143), the RBV "*consist in an attempt to look inside the company and examine how its 'inputs' can constrain the 'outputs' that the company can generate*".

Barney (1991) emphasises that resource heterogeneity and immobility characterise, at least to a certain extent, most industries. Therefore, sustained competitive advantage cannot be expected if resources are uniformly distributed across a firm's strategic group and if perfectly mobile resources exist.

Under resource heterogeneity and the imperfect mobility assumptions, Barney (1991) argues that a firm can obtain a competitive advantage through the implementation of a value-creating strategy based on Valuable, Rare and Non-substitutable resources. If, in addition to the mentioned characteristics, the resources possessed by a firm are Inimitable, a firm is said to have a sustained competitive advantage.

In other words, both competitive advantage and sustained competitive advantage stem from a firm's internal attributes, which enable the creation and implementation of a value-creating strategy not executed by competitors. The difference between the two is that sustained competitive advantage can resist competitors' duplication efforts (Barney, 1991).

Although Barney (1991) formalised the link between a firm's resources and performance through his framework, numerous criticisms followed. Priem and Butler (2001) argued that the RBV is static by nature and emphasised the lack of explanation about the processes through which particular resources provide a competitive advantage, labelling it a ‘black box’. If, for example, a company possesses (Valuable, Rare, Inimitable and Non-substitutable) (VRIN) resources, but incompetent individuals to manage these resources, it may result in little benefit, as they do not leverage their potential (Katkalo et al., 2010). So, competitive advantage may not be the outcome of possessing superior resources. In some instances, firms with distinctive competencies and superior organisational routines in multiple value chain functions can use resources better, thus obtaining a competitive advantage (Mahoney & Pandian, 1992).

To address how firm-specific resources are transformed into a source of competitive advantage, new theoretical approaches emerged. On the other hand, Barney (1997) showcased the VRIO framework. On the other hand, Teece et al. (1997) introduced the concept of DC.

2.4.1 VRIO Framework

To address some criticisms about how VRIN resources lead to competitive advantage, Barney (1995) introduced the question of Organisation and, under the previous two market failure assumptions, formalised the VRIO framework later on.

Emphasising Barney's (1997) refined framework, resources and capabilities must present all the following characteristics:

- Valuable: if it enables the firm's value creation through opportunities exploitation and/or mitigation of external threats. Linking the question of Value to economic performance, resources and capabilities are Valuable when they enable a firm's cost reduction or revenue increase.
- Rare: if it is only possessed by a single firm or a few competitors. Then, a particular resource or capability is Rare as long as the number of firms possessing it is inferior to the number of firms needed to create perfect competition within an industry (Barney, 1991). Still, Valuable and Rare characteristics lead only to a temporary competitive advantage.
- Inimitable: if it is complex to replicate or substitute via other resources or capabilities. Competition faces a cost disadvantage when trying to imitate due to historical circumstances, causal ambiguity, social complexity, or patents.
- Organisation: if the firm is organised and takes advantage of complementary resources (e.g. reporting structure, management systems, etc.) to seize the full potential of all (Valuable, Rare, and Inimitable) (VRI) resources and capabilities.

All things considered, if a particular resource or capability controlled by a firm fulfils all VRIO framework critical characteristics, it is safe to say that this resource is the source of sustained competitive advantage and above normal economic performance (Barney, 1997).

Thereafter, Peteraf and Barney (2003) argued that competitive advantage stems from critical resources and capabilities exploited in a superior manner; in this way, the origin of superior economic value is focused on resources and capabilities with a significant positive impact on lowering costs or increasing the perceived benefits.

2.4.2 Capabilities as a Question of Organisation

Grant (1991) sees capabilities as organisational routines involving complex orchestration between workers within a company and between workers and the firm's additional resources.

Amit and Schoemaker (1993) suggest that the value of each resource depends upon the complementary property, considering the resources not Valuable *per se*. In that case, individually, they cannot be considered a source of competitive advantage. For resources to be Valuable, a company must be able to deploy and interrelate them using organisational processes, considering these organisational processes as "intermediate goods" between resources and a final product or service. As a result, competitive advantage stems from deploying and interrelating a firm's resources (Amit & Schoemaker, 1993).

According to the VRIO framework, when VRI resources are physical, human, or financial, the question of Organisation is necessary to transform them into a source of competitive advantage. In contrast, if the resource is organisational (capability), the question of Organisation necessary to transform it into a source of competitive advantage is the capability itself (Cardeal, 2024). Under these circumstances, if a particular capability is VRI, the source of competitive advantage is the capability itself (Cardeal, 2024). As outlined by Grant (1991), capabilities have more potential to endure as a source of competitive advantage when compared with the resources on which they are based. First, firms can maintain a particular capability even when individual resources integrated are replaced. Second, if capabilities integrate several diverse resources in a complex manner, they are challenging to replicate, vis-à-vis capabilities reling on a single resource (Grant, 1991). Tirth, since capabilities are firm-specific and developed over time, firms have opportunities to improve them in the long run (Amit & Schoemaker, 1993; Cardeal & António, 2012).

All things considered, capabilities are encompassed in the question of Organisation from VRIO framework; if VRI, they are a source and lead to competitive advantage (Cardeal, 2024; Cardeal & António, 2012). Be that as it may, resources and capabilities need to be adjusted over time to match the changes in a firm's environment so that the sources of competitive advantage fall within new external realities (Cardeal, 2024).

2.5 Dynamic Capabilities (DC)

The RBV is static by nature as it fails to incorporate the role of market dynamism, assuming a fixed and stable competitive environment over time (Priem & Butler, 2001). Moreover, the RBV fails to explain how future Valuable resources are created or how to renew the current VRIN resources under changing environments so that a firm can achieve and maintain a competitive advantage. Therefore, this is the focus of DC (Ambrosini & Bowman, 2009).

As Teece et al. (1997) initially pointed out, the essence of DC is that under rapidly changing environments, firms must be able to integrate, build, and reconfigure internal and external competencies, developing new and innovative value strategies. These ambiguous skills, labelled as DC, are challenging to imitate, and since they are path-dependent, they must be built (Teece et al., 1997)

Examining several previous unidimensional DC definitions, Barreto (2010, p. 271) presented DC as "*the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base*". By means of "systematically", the author stresses the importance of looking at the DC as an ongoing process.

According to this multidimensional definition, DC are essential in both high-velocity and moderately changing environments. However, they work in distinctive ways. First, in high-velocity environments, DC are non-linear as they rely on real-time information and various options to generate immediate new knowledge for each specific situation (Eisenhardt & Martin, 2000).

Second, in moderately environments, DC are grounded in cumulative and existing information, resulting in linear and predictable outcomes, being stable processes resembling the traditional definition of routines (Eisenhardt & Martin, 2000). However, DC in this environment scenario should not be perceived exclusively as "*a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness*", as argued by Zollo and Winter (2002, p.340), considering that, as previously observed, operational effectiveness is not strategy (Porter, 1996).

Teece (2007) stated that the DC are intensely entrepreneurial, encompassing not only the difficult-to-replicate capabilities needed for firms to adapt to changes in customers and technological opportunities, but also the firm's ability to change its ecosystems, developing new products and processes, or creating and then implementing new viable business models. In summary, the continuous resource orchestration capability is the cornerstone for creating value and sustaining a competitive advantage, building defences against competitors, reconfiguring resources, and shaping ecosystems.

All things considered, DC are a process that manipulates resources, defined as organisational and strategic routines undertaken to create new resource configurations as markets emerge, collide, split, evolve and die. Nevertheless, the DC are not Valuable *per se*; their value for competitive advantage lies in using these processes to create a resource configuration capable of creating such advantage (Eisenhardt & Martin, 2000). Considering that they are organisational routines to organise a firm's bundle of resources, DC can be encompassed in the question of Organisation from the VRIO framework, as argued by Cardeal and António (2012); if VRI, they are a source and lead to competitive advantage (Cardeal & António, 2012).

Be that as it may, a critical distinction is imperative within the capabilities concept since there are low-level and strategic capabilities (Cardeal, 2024; Cardeal & António, 2012):

- Low-level capabilities are inputs (as well as other resources) for strategic capabilities. In isolation, they cannot be a source of competitive advantage.
- Strategic capabilities (DC) are how bundles of resources and low-level capabilities are organised by a firm, being a source of competitive advantage under changing environments, if VRI.

2.5.1 Microfoundations of Dynamic Capabilities (DC)

With the aim of clarifying how a company develop a resource orchestration capability so that its resource base remains relevant via the continuous creation, extension, upgrade, and protection, Teece (2007) developed a framework to help us understand the microfoundations of DC, linking internal and external factors to the company. During this change process, managers have a key strategic role in identifying new resource integration necessary to enhance value creation. In effect, since the value creation occurs through internal coordination, it gives rise to replication difficulties as knowledge-related assets are non-tradable (Teece, 2007).

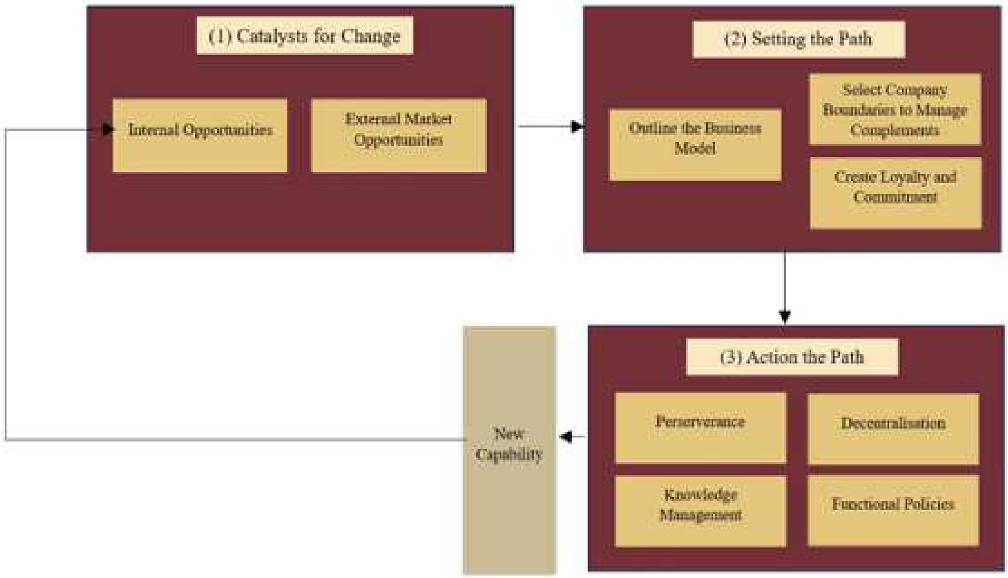
According to Teece (2007), the DC can be disaggregated into a sequential process rooted in three different capabilities: (1) Sensing and shaping opportunities and threats, (2) Seizing opportunities, and (3) Managing threats and reconfiguring. Therefore, sensing and seizing correspond to mobilising the necessary resources, organisational infrastructure, and strategy to create value by addressing an opportunity. Managing threats and reconfiguring correspond to the continuous renewal necessary to maintain a competitive advantage (Katkalo et al, 2010).

The proposed framework is particularly relevant when the company's environment exhibits the following characteristics:

- The environment is open to international trade and fully exposed to the opportunities and threats related to rapid technological change.
- Technical change itself is systemic, given that multiple inventions must be combined to create products and/or services that meet consumers' needs.
- There are well-developed global markets where components and services can be exchanged.
- The markets for technological and managerial know-how are still poorly developed.

Using Teece's (2007) framework as a baseline, Cardeal (2010) proposed a framework to understand SMEs' micro-foundations of DC when operating under moderate environmental change. Cardeal (2010) signal that, in such environments, companies tend to resist the idea of change, and argue that capabilities development resembles a car with two accelerators. One accelerator represents the current business model, in which existing competencies are still being exploited. The other accelerator represents the future business model, for which future competencies are being developed. Figure 1 summarises the circular logic process through which companies can create their DC according to Cardeal (2010), dividing the process into three stages: (1) Catalysts for Change, (2) Setting the Path, and (3) Action the Path.

Figure 1 - Circular logic process of the framework proposed by Cardeal



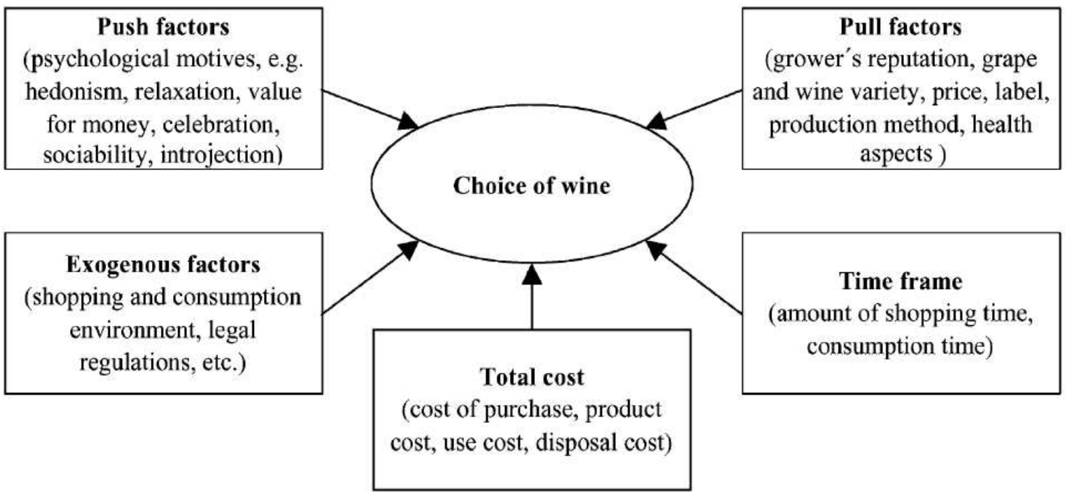
Source: Author's analysis based on Cardeal (2010)

Besides external and internal opportunities (necessary to enhance the exploitation of external opportunities), Cardeal's (2010) proposed framework also highlights the link between the company's new capability and internal opportunities. This internal feedback draws attention to the fact that the microfoundations of previously developed capabilities can be perceived as internal opportunities, acting as catalysts for change to create new capabilities, and fostering the evolution of DC via a feedback loop. Throughout this change process, leaders play a critical role in several microfoundations, particularly building loyalty and commitment, selecting the company's boundaries for managing complements, implementing functional policies, knowledge management and decentralisation (Cardeal, 2010).

2.6 Wine Marketing Drivers

Investigating wine consumption patterns encompasses two distinct yet connected research areas. The first focuses on the drivers of wine consumption (push factors), explaining wine consumption behaviour. The second focuses on wine choice (pull factors), explaining how an individual decides on a specific purchase among the plethora of options after concluding that they will drink wine (MacDonald et al., 2013). Orth and Krška (2002) summarised, through their framework, the factors behind consumers' choice of bottled wine. These factors include push factors, pull factors, exogenous factors and economic limitations such as time and money.

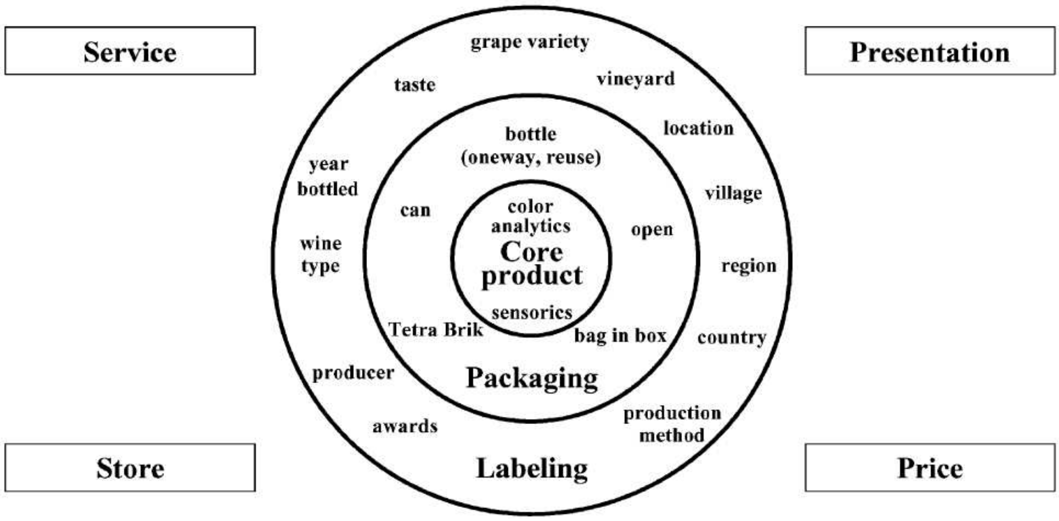
Figure 2 - Factors influencing consumers' choice of (bottled) wine



Source: Orth and Krška (2002, p.387)

Still, as stated by Orth and Krška (2002), wine producers' control is confined to product attributes (pull factors). Therefore, since consumers build their preference criteria on product attributes, wine producers can use it to enhance quality perception and hedonic value (Orth & Krška, 2002). Producers can also use psychological biases, such as the "timber box effect", to increase consumer willingness to pay. According to this psychological influence, willingness to pay for a premium wine increases when the bottle is packed in timber boxes with a product explanation or transparent front (Sung et al., 2020).

Figure 3 - Attributes of the product "wine"



Source: Orth and Krška (2002, p.388)

Considering that the quality of a bottle of wine can only be accessed when uncorked and tasted, consumer willingness to pay and quality perception mainly depend on expert quality rankings, producer reputation, region of origin, and grape varietal (or varietals) used (Schamel & Anderson, 2003). The grape varietal is the primary attribute influencing choice, followed by colour, price and wine exhibition awards (Orth & Krška, 2002). In brief, wine choice is a scenario of imperfect information described by Shapiro (1983), where the producer has more information than the buyer regarding product quality. However, a positive collective reputation of a specific region and individual quality perception of grape varietals, consolidated by a favourable wine producer reputation and awards provided by third-party wine experts, are practical approaches used by consumers to reduce decision-making costs (Schamel & Anderson, 2003).

All in all, the theoretical concepts presented in this chapter aim to enable us to understand what resources/capabilities are at the root of the company's competitive advantage and how they were developed over time. More specifically, the RBV perspective aims to assess the sources of competitive advantage, and the analysis of the microfoundations of the DC aims to understand how resources/capabilities are transformed into competitive advantage.

3. Methodology

As indicated by Yin (2018), when researching questions such as "how" and "why", a case study is appropriate, given that these questions require more explanation as they deal with tracing processes over time.

According to MarketLine (2022), the global wine market reached a volume of 24,520.5 million litres in 2021, with a (Compound Annual Growth Rate) (CAGR) of 0.4% from 2016 to 2021. A 1.9% CAGR is predicted from 2021 to 2026, and forecasts target 26,883.7 million litres of wine to be produced globally by 2026. Focusing on the Portuguese wine industry, the total wine production remained more or less constant in the last fifteen years (see Exhibit 1). Additionally, three significant trends have shaped the Portuguese wine industry in the last twenty-five years. First, selling grapes to wine cooperatives has become economically unviable for many farmers, leading many to become wine producers, resulting in a highly competitive fragmented industry structure and eventual fall in the share in total wine production of wine cooperatives (see Exhibits 2 and 3). Second, the development of new technologies enabled the mechanisation of several production processes in many regions, attenuating the rise in production costs. Tirth, enotourism is growing, representing an essential total turnover of the Portuguese wine sector (Silva, 2024).

The Portuguese wine industry fits into a mature and moderate environment scenario, and considering that the development of (dynamic) capabilities contributes to a greater impact on performance in this type of environment, why not research which resources/capabilities are at the root of the competitive advantage and how they were developed over time, using VINILOURENÇO as a case study?

In order to collect the necessary data to conduct this research, primary and secondary data sources were utilised. The primary data was collected through three semi-structured interviews, a few short phone calls, one internal company document and direct observations during a visit to the company. The first two interviews were conducted online with Rui Ló (Commercial Director), lasting one hour each. The third interview took place at VINILOURENÇO premises, where I had the opportunity to spend an entire afternoon with Rui Ló and Jorge Lourenço (Manager/Owner). The secondary data was collected through a VINILOURENÇO sales catalogue for 2025 and a website/press. Four databases were also consulted. Three of these were consulted to collect information about the industry, and one was consulted to overcome the company's policy on disclosure of financial data (which was communicated right from the start).

After collecting, analysing, and triangulating the data using several websites/press, a VRIO (Barney, 1997) test was conducted on each critical resource/capability to assess their potential to constitute a source of competitive advantage. Subsequently, Cardeal's (2010) proposed framework was applied to the identified capabilities, expecting a literal replication (Yin, 2018).

To avoid misinterpretations, all interviews were recorded, and the content present in this research was returned to the company, requesting feedback during several stages of the research.

4. VINILOURENÇO

4.1 The Origins

The origin of VINILOURENÇO dates back to the 1980s, when Horácio Augusto Lourenço returned from Angola to his homeland, Poço do Canto, and began planting the first vineyards. At that time, Horácio's principal activity was his construction and civil engineering company, and agriculture was just an enjoyable hobby to escape daily routine. As time passed, Horácio started buying olive groves, almond orchards, and, in particular, vineyards, thinking about the wine business only as a grape producer. With that in mind, he selected the vineyard locations based on their potential, acquiring vineyards in Poço do Canto, Vale da Teja, and Poçinho at different times.

Horácio's income-generating hobby was running smoothly, selling grapes not only to local wine cooperatives but also to a few local still wine producers such as Quinta do Vale Meão, which used to produce the Portuguese wine reference, Barca Velha. However, in the late 1990s, selling grapes to wine cooperatives was no longer financially sustainable, and Horácio and his son, Jorge Lourenço, found themselves at a crossroads. Either they give up the 25 hectares of vineyards, or they start to produce wine. Under those circumstances, and since they already held a considerable area of vineyards that produced grape varieties valued by renowned Douro still wine producers, they decided to pursue the hardest option and become a still wine producer. At only 18 years old, Jorge took on the responsibility of modernising the vineyards that had already been planted, selecting new grape varieties to expand the vineyard area, and structuring a company to vinify the grapes and become a wine producer. Those endeavours culminated in the launch of Horácio and Jorge's first wine brand, GALHOFA, in 2003 and three years later, VINILOURENÇO was founded.

After years of hard work and several investments later in more vineyard areas, winery expansions and continuous modernisation, VINILOURENÇO crafted its own path in the competitive wine industry, developing a recognised work in recovering ancient Douro grape varieties (see Exhibit 4). The last ten years have been particularly remarkable in VINILOURENÇO's growth, not only in sales volume but also in notoriety. The small and young wine company that conquered excellent scores in Wine Spectator magazine at an early stage grew up alongside its owner, selling products nowadays to the four corners of the world, where consumers can buy them in places that go from local wine shops to a 3 Michelin Stars restaurant, adding wine awards to the track record annually (see Exhibit 5).

“Our mission is driven by producing high-quality Douro DOC wines with a singular profile and an excellent quality/price ratio, regardless of the wine segment, while remaining committed to Douro winemaking identity preservation.”

- Rui Ló

4.1.1 Product Portfolio

Although VINILOURENÇO is 20 years old, it is relatively young compared to other Douro Port wine and still wine companies with hundreds of years of existence. Nevertheless, the company managed to have, at the moment, 42 products organised by seven brands:

D. GRAÇA: Brand offering wines from mid-range to premium prices with a branding that aims to balance legacy with modern winemaking.

- Table wines (regular to premium)
- Sparkling wines
- Dessert wine
- Monovarietal premium wines (D. Graça Collection)

GALHOFA: VINILOURENÇO's approachable brand, however mid-range price, with a casual and youthful branding image.

- Table wines (regular and mid-premium)
- Sparkling wine

POÇO DO CANTO: The brand embodies traditional winemaking processes, bringing back the "Palhete", a light wine style popular in the 20th century among field workers in rural areas.

- Table wine
- "Palhete" wines

MAU FEITIO: VINILOURENÇO's "rebel child" with outside-the-box Douro wine profiles and informal branding image.

- Table wines

INSUSPEITO: A grand reserve red wine only produced in exceptional years.

- Fine wine

AVÔ ESCRIVÃO: A grand reserve red wine in honour of the owner's grandfather.

- Fine wine

PAI HORÁCIO: The top-tier VINILOURENÇO's premium wines, including an ultra-premium red wine launched this year, PAI HORÁCIO 1945.

- Fine wines

In addition to wines, the company produces two Douro DOC olive oils. An extra virgin olive oil and an organic virgin olive oil under D. GRAÇA and POÇO DO CANTO brands, respectively.

Since its foundation, the company has prioritised wine shops and restaurants to reach consumers while maintaining a minimal supermarket presence. VINILOURENÇO's wines reach these places through strategic partnerships with distributors or by selling directly to final retailers.

4.2 The Roots of Production: The *Terroir*, the Knowledge, and the Expertise

4.2.1 Vineyards

"It would be more comfortable to have the winery here, and all we could see around us were our 50 hectares of vineyards. Everything was centralised, making it easier to manage machinery and the workforce. All this translates into costs! Sometimes, just having to go from here to Poçinho only to see how it is going... but the difference is in the raw materials we obtain."

- Jorge Lourenço

The Douro region is characterised by multiple *terroirs*. These areas inside the region have unique characteristics (e.g. soil, elevation, solar exposition) that influence grape production, thus the wine profile. These were the reasons that motivated Horácio when choosing the vineyard locations, acquiring plot after plot and agglomerating the vineyards in different areas according to what seemed interesting regarding production and quality of grapes to sell.

Consequently, VINILOURENÇO has vineyards in three Douro Superior locations (see Exhibits 6 and 7), paving the way for completely different *terroir* exploitation. Furthermore, by selecting grape varieties to plant according to each *terroir,* the company can better exploit the potential of grape varieties or even exploit the potential of the same grape variety differently. As an illustration, it allows having one Touriga Nacional from Poçinho and another from Poço do Canto to be used in a proper blend or lot selection, or to produce two distinct single variety Touriga Nacional wines. Then, all vineyards are organised into per-grape variety plots, where we can find not only the typical Douro grape varieties but also vast areas of ancient Douro grape varieties.

Returning to the idea of exploiting the potential of grape varieties better. This means that by having different locations across Douro Superior, the company meets the proper *terroir* requirements for several grape varieties cultivation, making it possible to use them separately to produce what distinguishes VINILOURENÇO's portfolio: several single varietal wines.

4.2.2 Jorge Lourenço

"One day, Jorge asked me to go with him to visit a property which is now one of our vineyards, Junqueira. When we arrived, I thought, "This is only broom plans and wild bushes". I laughed as I knew it would become a vineyard, but I didn't know why there. In fact, the shale soil there was different; it was a consistent shale, not degraded; it was a shiny shale. This gives the wine particular characteristics. ...in the wine world, everything that happens in vineyards will have repercussions on the final wine."

- Rui Ló

Since the beginning of VINILOURENÇO, the owner, Jorge, has played a decisive role in choosing grape varieties based on each *terroir* and creating the blends for every wine released. Despite not having an oenology degree, Jorge built his capacities over time, taking advantage of experience and the help of external consultants. Currently, he spends his days between the vineyards and the winery, playing the role of agronomist and oenologist. Nevertheless, why is this double role crucial?

The first aspect to consider is that many oenologists only oversee the winemaking process when the grapes are ready to be harvested or at the winery, which can be a limitation due to the above-mentioned spillover effect. In the company's case, the separation of oversight does not occur as Jorge leads the process from vine cultivation to bottling. In addition, his decision-making process relies not only on the data collected but also on tacit knowledge acquired regarding each VINILOURENÇO *terroir*, the vines planted, and their evolution over the years.

The second is that being the main responsible for oenology, Jorge easily aligns the wines produced with his vision of the market, as well as simultaneously bridges a potential lack of a resident oenologist, who is challenging to retain and arduous to find in the rural areas of inland Portugal.

Aware that the wine business was highly competitive, Jorge always thought about how VINILOURENÇO could stand out. The answer was found in groundbreaking single variety wines that preserve Douro's natural heritage. Port and Douro Wines Institute (IVDP) recognition is the most compelling evidence. In 2023, IVDP recognised Jorge's endeavours with the motto "Douro + Sustainable" for the work carried out concerning the recuperation of ancient Douro grape varieties (see Exhibit 8).

"More barrel ageing, less barrel ageing... although we have our deviations, it's nothing new. It's a Douro-style wine. If we want to differentiate ourselves, we must take a different route! And it was challenging at the time! Oh dear, we're letting this heritage get lost... because a lot of it may already have been lost…"

- Jorge Lourenço

4.2.3 On-site Labour Force

Although established in a wine cluster, VINILOURENÇO reveals a limited reliance on permanent outsourced services. The mentioned low dependency results from several tangible assets purchased by the company over time and workforce stability.

Some employees began to work for the Lourenço family before the foundation of VINILOURENÇO, collaborating with Horácio since the wine business was just a hobby. As a result, the skills and know-how developed enable them to be autonomous and multi-skilled, performing all the field operations throughout the year. Except for harvest season, a labour-intensive period that requires hiring companies to facilitate the process.

The company reports that this in-house expertise contributes to its efficiency since it is more cost-effective and delivers higher-quality outcomes. However, to expand into sparkling wines, the company realised that outsourcing the dégorgement process was the best way, since purchasing such specialised equipment is not justified for the produced volume.

4.3 VINILOURENÇO: Product Creation and Innovation Capabilities

4.3.1 Capability to Develop New Wines

"Later on - not in the vineyards, but in the winery - the fact that Jorge separated each grape variety, across different terroirs as he saw fit, will allow for a wide range of creative possibilities to craft new wines. That's precisely why we have so many different references."

- Rui Ló

As seen before, VINILOURENÇO currently has a broad and diverse wine portfolio. However, the company strives to keep it dynamic, launching new wines every year. That is to say, some references are not constantly produced, as the company can produce them during a specific period and substitute them for new ones.

This capability to develop new wines began at the vine plots of the different *terroirs,* but the key process occurs between the harvest period and the formulation of each wine. The primary harvest criterion is to harvest each plot according to the ideal stage of ripeness, not according to location. The second is to individually vinify each plot, which contains only one grape variety, and store it in a single stainless-steel tank. In doing so, it is possible to have a batch with a specific grape variety from each *terroir* at the winery. Afterwards, the company assesses each batch's potential and decides whether to use them individually, jointly or for barrel ageing. All the previous actions allow a wide range of possibilities, particularly during the blend or lot selection formulation, making it very easy to create new wines.

As a consequence, this strategy does not leverage economies of scale. However, it enables VINILOURENÇO to have many references, understand consumers' preferences, and show how versatile they can be.

4.3.2 Capability to Develop Groundbreaking Wines

"Now, I want to start making blends using just those forgotten grape varieties. Not just with the ones we already have, but include others too."

- Jorge Lourenço

"Can I write about this plan in the thesis?"

- Carlos Bidarra

"Yes! There's no problem! If someone wants to do this work like us, they should have already started earlier. Do the plantings and everything else."

- Jorge Lourenço

On several occasions, VINILOURENÇO distinguished itself from its competitors by developing groundbreaking single variety wines. This differentiation capability stems from trial sites inside vineyards where the company seeks to understand where and how to cultivate multiple ancient Douro grape varieties. These trial sites are the starting point for developing groundbreaking wines and further vineyard expansions. Nevertheless, the most significant challenges and difficulties are understanding which and how the ancient Douro grape varieties may be successful among consumers. As stated by Rui, this is a trial-and-error process involving experimental microvinifications (10/15 litres) to figure out interesting wines.

Once the company acknowledges that a certain microvinification has potential and favourable bottle evolution, a feedback-seeking process occurs among selected commercial partners. The process aims to assess if the experimental wine is remarkable or needs adjustments, helping the company develop it as closely as possible to the final product before mass planting the grape variety(eis).

The company reported that having trial sites is not standard practice, as wine producers can collaborate with IVDP to understand the response of the grape varieties. This is something VINILOURENÇO also does. However, by operating its trial sites, the company can make a well-founded assessment of how grape varieties respond to its specific *terroirs,* thereby enhancing decision-making regarding which grape varieties to plant and how to vinify them based on potential market demand.

4.4 VINILOURENÇO's Reputation: Blending Identity with Consumer Preferences

4.4.1 How it Started

"We need to understand what the market is willing to consume, as we cannot produce wines that do not sell. However, the rule was clear: our update had to start in the vineyards, not make a laboratory out of the winery."

- Rui Ló

Since the beginning, the wines produced by the company have been created to pair with food. Being enjoyable to drink in a conversation, but even better when paired with food. However, consumers started to demand more easy-drinking wines. These wines are more commercial, less structured, and have refined tannins. The problem was that until 2008/2010, VINILOUREÇO wines were too gastronomical, structured and with persistent tannins. This structured wine profile began to impact potential sales, especially in the harvest segment, where consumers demand easy-drinking wines. Therefore, something was evident: VINILOUREÇO wines needed an update to meet these new consumers' wine preferences. Be that as it may, the company was uncomfortable about losing its identity, characterised by a gastronomical and structured wine profile.

So, how did VINILOURENÇO maintained its identity while turning its wines slightly more commercial? First, they were aware of this trend, as Jorge had already begun to expand or plant other grape varieties to produce more commercial wines (e.g., Touriga Nacional, Viosinho) during the modernisation of the vineyards while structuring the company. The drawback is that vines take time to produce the first grapes. After knowing they had the right grape varieties, the company adjusted some vinification processes and blends to bring out more fruity and aromatic elements, updating all their wines without eroding their gastronomical identity.

All in all, even knowing until today that their wine profiles do not please some consumers, the company understood that they were on the right path. In the following vineyard expansions and renovations, planting some parts for slightly more commercial wines was a practice to keep.

4.4.2 Current Status

"If you talk to ten people who know the Viosinho grape variety, eight will probably mention our D. GRAÇA."

- Jorge Lourenço

The year was 2005, and Jorge, having a small plot of the Viosinho grape variety, decided to vinify the relatively unknown grape variety at the time individually. The result was a groundbreaker single variety wine that quickly sold out, and whether by fortune or misfortune, the Viosinho grape variety turned out to be a very successful case of ancient Douro grape variety recuperation, being now easy to find across the Douro valley.

Shortly afterwards, the company saw an opportunity to stand out from the competition by exploring other unknown grape varieties exclusively in single variety wines, as blends were also (and remain) the standard grape composition of Douro wines. Recovering the ancient Douro grape varieties took root inside VINILOURENÇO, and the D. GRAÇA Collection line emerged to launch solely groundbreaking products. During the process, the company pioneered the production of several single-variety wines, distinguished by grape variety and year of release:

- Viosinho (2005)
- Donzelinho (2016)
- Casculho (2023)

Due to the advances in grape varieties recuperation, it was also among the first concerning Samarrinho and Bastardo.

Nevertheless, consumers still needed to perceive VINILOURENÇO differently from the competitors. Having a restricted fund for marketing campaigns, the company capitalised on word-of-mouth marketing:

"...was going to cities, restaurants, wine shops and open bottles. Offer a tasting and talk about the wine. Repeating the same thing thousands of times! Then we reach a point where it's no longer us saying it! It's the people!"

- Rui Ló

As a result of the high price and limited quantities, the D. GRAÇA Collection line does not represent the primary source of turnover. However, it enables consumers to perceive other VINILOURENÇO wines as original, driving the sales up of the remainder of the portfolio.

"Some wines are meant to be talked about, and others are intended to be drunk. This is the case for Casculho, Samarrinho, Bastardo, etc... These wines are more talked about than consumed."

- Jorge Lourenço

4.5 Crafting Tomorrow: VINILOURENÇO's following Chapters

In response to wine tourism demand, VINILOURENÇO started to provide private Wine & Food experiences on its premises. Soon, the company will expand its wine tourism services by opening a boutique hotel and a Spa-Nature in the heart of a vineyard, fostering its path in wine tourism.

Looking ahead to the wine business, the company aim to reinforce its competitiveness via differentiation, taking advantage of the brand reputation to increase premium wine sales. Acknowledging some regional sales asymmetry within Portugal, the company aspires to consolidate the domestic market. Nevertheless, future growth will rely on further international expansion.

5. Discussion

The main objective of this dissertation is to understand, through a practical application of previously developed theoretical concepts, VINILOURENÇO's sources of competitive advantage and how these sources were developed over time. During the following analysis, this study aims to help light up Priem & Butler's (2001) "black box".

5.1 VRIO analysis

After identifying the capabilities considered the source of VINILOURENÇO's competitive advantage, the following steps were to identify critical resources that underpin each capability. During this process, some difficulties arose due to the ambiguity in the literature regarding the definition of resources. Therefore, trying to frame them under Barney's (1991; 1997) definition was helpful to ensure coherence and the logical connection necessary to illustrate how these critical individual resources are interrelated and transformed into a competitive advantage.

Following Cardeal and António's (2012) assumptions, we can assume:

- "Inputs": are isolated critical resources or capabilities integrated in a specific manner to produce an output capability
- "Intermediary output": is the capability under analysis

Having identified the critical individual resources that underpin each capability, a VRIO analysis (Barney, 1997) was conducted in two stages: first, on the critical individual resources that underpin the capability, then on the capability itself.

That is to say, the resources were analysed according to the question of Value, the question of Rareness, and the question of Inimitability. The question of Organisation is the capability itself. Resources considered not rare were not analysed according to the question of Inimitability. If they are not rare, it means that not just a few competitors possess them. Therefore, the question of Inimitability does not apply as they are available or exploited by most VINILOURENÇO's competitors.

In the following step, each capability was analysed according to the question of Value, the question of Rareness, and the question of Inimitability. If the capability fulfils all three criteria, it is a source of competitive advantage, as Cardeal and António (2012) argued.

5.1.1 Ancient Douro Grape Varieties Recovery Capability

The ancient Douro grape varieties recovery reflects VINILOURENÇO's capability to find potential and commercial viability in ancient Douro grape varieties. This capability represents the way VINILOURENÇO interrelates five resources: the genetic material collection, the trial sites, the production equipment, the technical competencies, and the strategic collaborations. Table 1 summarises the VRIO analysis carried out. The analysis is described in the following paragraphs.

Table 1 - VRIO analysis of Ancient Douro Grape Varieties Recovery Capability

Resource	Valuable	Rare	Inimitable
Genetic Material Collection	-	+	-
Trial Sites	-	+	-
Production Equipment	-	-	-
Technical Competencies	-	-	-
Strategic Collaborations	-	+	+
Ancient Douro Grape Varieties Recovery	-	+	+

Source: Author's analysis

The genetic material collection corresponds to the process of identifying the ancient Douro grape varieties within old vines and collecting the best clones. The company must successfully graft the collected genetic materials onto American rootstocks to create trial sites and vineyards. The collection of genetic material and subsequent successful grafting and cultivation are impossible to undertake without the production equipment and technical competencies. Furthermore, VINILOURENÇO must also be able to develop a new wine using the identified grape varieties and successfully launch it to generate an output capable of exploiting opportunities or mitigating threats. Given these points, the resource is not valuable *per se*. Nevertheless, this process has rare characteristics. First, because the process is solely focused on ancient Douro grape varieties. Second, the common practice among wine producers is to purchase pre-grafted vines from vine nurseries, where it is difficult to find ancient Douro grape varieties and unlikely to have access to the grape characteristics of the clone for sale. Despite being a rare process, competitors can imitate it or focus merely on obtaining the identified grape variety, ignoring the potential of each clone.

Trial sites, in isolation, are not a valuable resource since they do not enable, *per se*, the exploitation of opportunities or threat mitigation. For the resource to be valuable, the company needs, for example, production equipment and technical competencies. In this case, when the three resources are leveraged together, they enable the company to understand ancient Douro grape varieties' cultivation requirements, thus learn how to mitigate the impact of weather events, pests, and diseases that can affect each grape variety before mass-planting them. It is a rare resource, given that it is not a standard practice among wine producers, particularly when composed only of ancient Douro grape varieties. Even so, owning trial sites lacks complexity, making them easy to replicate. Furthermore, the companies can collaborate with IVDP.

The production equipment includes all the tangible assets purchased by the company to cultivate and vinify the grapes. Without technical competencies, for example, these resources are not valuable. Moreover, the resources in question are available for and used by most wine producers.

In this section, the technical competencies reflect VINILOURENÇO's human resources capacity to understand the ancient Douro grape varieties' *terroir* compatibility/cultivation requirements and transform the grapes harvested from the trial sites into an experimental wine with market potential. This resource is individually not valuable, taking into account that new product development capability is needed and feedback is crucial to create an output capable of exploiting opportunities and mitigating threats. The technical competencies are also not rare, as they consist of competencies widespread within companies in the sector. To be more precise, in the grape processing stage, for example, the vinification techniques utilised are, *per se*, precisely the same as those utilised by other oenologists to create a wine. What may be different is the combination of those techniques to create a particular wine profile from a particular grape variety. Under these circumstances, the resource is not rare. Therefore, the question of Inimitability does not apply to this resource.

The strategic collaborations encompass the information received from selected commercial partners. The resource in question cannot be considered valuable without, for example, the technical competencies to try other combinations of winemaking techniques. Under these circumstances, it does not lead, *per se*, to a possible exploitation of opportunities or threat mitigation. When we recognise the size of VINILOURENÇO, it is worth considering that this is a rare resource since it enables exclusive market insights. Moreover, the resource is difficult to imitate as a result of the social complexity involved.

The first finding of the conducted analysis is that, individually, none of the critical resources passes the VRIO test; consequently, they cannot be considered individually a source of competitive advantage. The second finding of the conducted analysis is that this capability, individually, also fails to pass the VRIO test since it does not generate an output capable of exploiting opportunities and/or mitigating threats. In fact, the ancient Douro grape varieties recovery capability only becomes valuable when associated with the new product development capability, given that it will allow the company to transform these experimental wines into a mass-produced wine, successfully launch it, and then continue developing other new wines from those recovered grape varieties. The ancient Douro grape varieties recovery capability has rare characteristics in the sense that there are just a few wine producers who are really committed to this recovery. During the interviews, it was concluded that despite more and more people talking about ancient Douro grape varieties, wine producers, in general, have shown no genuine concern for exploring their potential and commercial viability up to the present. Given those facts and considering that IVDP awarded these endeavours, it is possible to assume the rarity of the capability. The capability is complex to replicate due to the social complexity that emerges from strategic partnerships and the causal ambiguity that emerges from the numerous possible combinations of vinification techniques to create a particular wine profile. Moreover, this causal ambiguity is enhanced by the integrated bundle of resources.

5.1.2 New Product Development Capability

The new product development capability reflects VINILOURENÇO's capability to launch, year after year, new and strongly distinctive wines successfully. This capability represents the way VINILOURENÇO interrelates six resources: the ancient Douro grape varieties recovery capability, the vineyard composition, the production equipment, the technical competencies, the wine profile creation, and the distributors.

Table 2 summarises the VRIO analysis carried out. The analysis is described in the following paragraphs.

Table 2 - VRIO analysis of New Product Development Capability

Resource	Valuable	Rare	Inimitable
Ancient Douro Varieties Recovery Capability	-	+	+
Vineyard Composition	-	+	-
Production Equipment	-	-	-
Technical Competencies	-	-	-
Wine Profile Creation	-	+	+
Distributors	-	+	+
New Product Development	+	+	+

Source: Author's analysis

The ancient Douro grape varieties recovery capability was already analysed in the previous section. The findings indicate that despite being rare and inimitable, it fails to pass the VRIO test as it is not individually valuable.

The vineyard composition combines the land plots purchased over time, their specific characteristics, and the grape varieties mass-cultivated in each location. These tangible resources are vital for developing new products, as different *terroirs* and grape varieties provide different raw materials and possibilities for wine profile creation. Although these resources are the cornerstone for developing new wines, they cannot be considered individually valuable since production equipment and technical competencies, for example, are required to transform the grapes into an output that enables the firm's value creation. The VINILOURENÇO's vineyard composition is considered rare, not because it comprises multiple *terroirs* but rather vast vineyard areas of ancient Douro grape varieties. Nevertheless, it is not inimitable, given that competitors can buy land in these locations, plant the same grape varieties, and obtain similar raw materials. Alternatively, even purchase it from grape producers.

In this section, the production equipment includes all the tangible assets purchased by the company to cultivate and vinify the grapes on a commercial scale. Without technical competencies, for example, these resources are not valuable. Moreover, the resources in question are available for and used by most wine producers. For this reason, the resource fails to answer the question of Rareness, and the question of Inimitability does not apply.

In this section, the technical competencies consist of VINILOURENÇO's human resources capacity for operating the production equipment to cultivate and vinify the grapes. The technical competencies, *per se*, are unable to produce outputs that create value. In the absence of production equipment, a wine profile creation that pleases the consumers, and proper distributors, the company cannot generate an output capable of exploiting opportunities and mitigating threats. As concluded in the previous section, although countless combinations of vinification techniques are possible, such technical competencies exist in almost all wine producers. Nevertheless, different combinations generate different outcomes. Under these circumstances, this resource is not rare, and the question of Inimitability does not apply.

Although wine profile creation and technical competencies are inextricably linked, wine profile creation is defined as the process of creating a wine with a particular profile based on consumer preferences and VINILOURENÇO's identity, and then mass-producing it. It involves harvesting the grapes at a certain ripeness point, employing a specific combination of vinification techniques, and elaborating the percentages of the final blend or lot selection, if applicable. Individually, the wine profile creation is not valuable, given that the company must have, for example, technical competencies and good distributors to get the new wines in the hands of consumers. The process is almost imperative to undertake. Be that as it may, the wine profile creation is rare as VINILOURENÇO has a well-defined identity characterised by its own deviations within the typical profile of Douro wines and the use of ancient Douro grape varieties in many wines. This resource is complex to imitate, considering that the owner is primarily the decision maker responsible for creating the wine profiles and subsequent mass production control. After all, this ambiguous creative process is the culmination of Jorge's experiences, creativity, and market vision.

Individually, distributors fail to address the question of Value. If VINILOURENÇO does not provide them with the wines consumers are willing to buy, they cannot properly exploit market opportunities. As a result of the high industry rivalry, a partnership with good distributors can be considered rare since it is a resource difficult to obtain, especially for new brands. The brands must first gain recognition and demonstrate consistency so that distributors show interest in partnering with wine producers to sell their brands. That was precisely why VINILOURENÇO needed to invest in word-of-mouth marketing and maintain a very minimal supermarket presence, especially when it started. For this reason, and since distributors' interest depends on the consistency of the brands, this resource is complex to imitate due to historical circumstances.

As evidenced by the analysis conducted on the individual resources integrated in new product development capability, none of the resources meet all the criteria of the VRIO framework. Under these circumstances, these resources, individually, fail to be a source of competitive advantage. Indeed, the competitive advantage stems from how the company operates and correlates the six critical resources previously analysed.

The capability is valuable because it enables the company to continue exploiting market opportunities by launching new and strongly distinctive wines yearly, which, in some cases, may be groundbreaking or unique, as has happened in the past. Relating the question of Value to economic performance, it ultimately contributes to revenue increase by enabling VINILOURENÇO to continue developing more wines according to consumer preferences, thus avoiding maintaining obsolete products in its portfolio. Furthermore, some launched wines are strongly distinctive, and may be groundbreaking or unique regarding the grape variety(ies) used. Therefore, consumers' willingness to pay is likely to be high.

The value of this capability is enhanced by the quality of its wines, recognised by third-party wine experts, the *dégorgement* outsourcing, which enables the company to continue producing sparkling wines, and VINILOURENÇO's reputation.

Furthermore, this capability is rare. But not due to the number of wines launched per year, as other companies may match or surpass this number. However, they do so using more resources. It is rare, given VINILOUREÇO's size, and the way resources are integrated to launch new and strongly distinctive wines. When we consider that this capability enables launching new wines produced from recovered ancient Douro grape varieties, the rarity becomes evident. First, the ancient Douro grape varieties recovery capability is, *per se*, rare. Second, IVDP has already recognised the capability of developing new wines using these forgotten grape varieties, bringing them back to life and showing how versatile they can be. The replication complexity arises from causal ambiguity, as this capability depends on numerous small decisions through which the firm's resources are exploited. Similarly, it results from several integrated resources and capabilities, resulting in uncertainty about which input to imitate, since there are numerous plausible explanations for understanding the origin of competitive advantage.

5.3 VRIO analysis Conclusion and Implications for Competitive Advantage

As previously discussed, none of VINILOURENÇO's critical individual resources pass the VRIO test. For this reason, these resources, when considered individually, are not a source of competitive advantage. The second stage of the analysis on both capabilities, initially regarded as potential sources of competitive advantage, reveals that only one of the two actually passes the VRIO test to generate that position individually. The new product development capability integrates several different resources in a complex manner, making it difficult for competitors to imitate it due to the causal ambiguity involved, providing the means for competitive advantage longevity.

In isolation, the ancient Douro grape varieties recovery capability is not valuable. Be that as it may, this capability is still crucial from a strategic point of view. When considered a lower-level capability, thus an input into the new product development capability, it allows the creation of an output whose perceived benefits offset a higher price, fostering VINILOURENÇO's differentiation.

Taking into account Peteraf and Barney's (2003) definition of competitive advantage, economic value is created by the company, as consumers' willingness to pay for the perceived benefits of VINILOURENÇO's wines more than offsets the costs of producing them, given the marginal competitor's offer. According to this definition, consistent positive net results are evident proof of competitive advantage (see Exhibit 9).

5.4 Microfoundations of Capabilities

Identified VINILOURENÇO's current sources of competitive advantage, the focus is now to understand how the company developed the capabilities that led to this positioning.

At an early stage, VINILOURENÇO wines were not exactly perceived as different from the competition in terms of unique benefits. Third-party experts recognised their quality; however, in the eyes of consumers and distributors, VINILOURENÇO was just one more wine producer emerging due to the economic unviability of selling grapes to cooperatives. Its wines were crafted from typical Douro grape varieties, except for D. GRAÇA Viosinho, and despite producing some reserve and grand reserve wines, Cruzeiro, a discontinued bag-in-box wine brand, represented a vital source of VINILOURENÇO's revenue. At that time, VINILOURENÇO's competitive advantage was obtained via cost leadership, producing quality wines at low prices. Nevertheless, gradual changes in the environment required the development of new capabilities to ensure VINILOURENÇO's competitiveness. First, the cheap labour force became scarce over time, and in contrast to what occurred in other wine-producing regions, a shift towards mechanisation is challenging due to the morphological characteristics of the Douro region. Second, consumers began to prioritise differentiated products and quality over price.

During this section, a theoretical framework on the microfoundations of DC is to be applied to gain insight into how VINILOUREÇO developed its current sources of competitive advantage and examine how the development of such capabilities enabled the company to adapt itself, crafting its path in the wine industry. Considering the interdependence between both capabilities, and given that they were developed in parallel, providing an integrated analysis of both capabilities was perceived as the best method to demonstrate how VINILOURENÇO adapted itself to changes in its environment. The development of the capabilities started in 2007, and by 2016, they were fully developed.

Teece (2007) frames dynamic markets according to the previously mentioned four characteristics, emphasising that his developed model is particularly relevant if those characteristics are verified. The wine industry does not entirely fit into the proposed frame, as rapid technological change, the need to combine multiple innovations, and poorly developed markets for technological and managerial know-how are not characteristics of the environment in which wine companies operate. Bearing in mind that the wine industry verified a gradual change in a predictable direction, its market dynamism falls into Eisenhardt and Martin's (2000) moderate environment change definition. Therefore, applying the framework proposed by Cardeal (2010) seems more adequate to analyse the microfoundations of VINILOURENÇO's capabilities, as it was developed for SMEs operating under moderate environmental change.

As outlined in the literature review, the model proposed by Cardeal (2010) (see Figure 1 and Exhibit 10) divides the capabilities creation process into three stages: (1) Catalysts for Change, (2) Setting the Path, and (3) Action the Path.

The first stage - catalysts for change - encompasses the origin of the opportunities, which can be internal (resources and capabilities) or external (in the market or technological), where threats can also be seen as an opportunity for change. Since the ability of a company to reconfigure itself depends on its ability to identify opportunities, if companies fail to identify opportunities, their path to change will be limited from the outset (Teece, 2007). In this initial stage, leaders play an important role in identifying such opportunities and taking action to coordinate the change process (Cardeal, 2010).

In VINILOURENÇO, the capabilities under analysis emerged from external opportunities that were combined with internal opportunities. On one hand, Jorge perceived that consumers' preferences were shifting and that there were opportunities in the market regarding the use of forgotten grape varieties. Moreover, competing via cost leadership became difficult over time due to the shortage of cheap labour and the rise in production costs. On the other hand, instead of looking for vineyards dispersion as a weakness, Jorge saw a strength, identifying an internal opportunity in the existing resources that enable the cultivation of several grape varieties and provide a wide range of possible raw material to craft new wines when each plot is individually vinified and stored. Table 3 summarises the observations regarding the catalysts for change stage, making it possible to verify that the case replicates the expected pattern (Yin, 2018).

Table 3 - Catalysts for Change Stage Analysis

Catalysts for Change		
External Market Opportunities	**Internal Opportunities**	**Facilitator**
Jorge Lourenço's vision of the market and gaps identification regarding the use of ancient Douro grape varieties	Different terroirs across Douro Superior meet the conditions for cultivating several grape varieties and provide different raw materials to craft new wines	Jorge Lourenço (Manager/Owner)
Shortage of cheap labour		

Source: Author's analysis

Once identified, opportunities are seized during the subsequent stage of the proposed framework - setting the path. During this stage, a new business model is outlined, in which defining the company's boundaries to manage complements and creating loyalty and commitment increases the new business model's likelihood of a successful implementation. The probability of successfully implementing the new business model is greater if the company understands the best way to create value for its consumers through a value chain analysis. During the analysis, multiple alternatives can be considered for value creation, and the company's boundaries are defined, suggesting that companies may opt for outsourcing when it is more efficient (Teece, 2007). Consequently, this perspective contrasts with the RBV approach, which stresses the ownership of resources.

VINILOURENÇO reveals a limited dependence on outsourced services provided by the cluster in which it operates, adopting a neutral perspective regarding outsourcing as much as possible. Despite the in-house expertise proving to be the best way to create value, as it is more cost-effective and delivers higher-quality outcomes, the company understood that outsourcing the *dégorgement* process was more efficient since the volume produced does not justify the purchase of specialised equipment. Therefore, relying on third-party contractors in regions like Bairrada was the best way to create value and diversify into the sparkling wine segment. Equally important, contracting an oenology advisor to provide support when creating the profiles for the new wines seemed crucial for successfully implementing the new business model. Simultaneously, loyalty and commitment were created within the company to embrace this strategic reorientation, in which the recovery of ancient Douro grape varieties became a sort of challenge that drives VINILOURENÇO's culture and differentiation. Being a family SME with no more than six employees in 2007, where some worked already for the Lourenço family prior to the foundation of VINILOURENÇO, there was an "obligation" to ensure that the change process involved all existing employees. New employees joining the company while the new capabilities were under development, consciously or unconsciously, absorbed Jorge's vision for change as a result of the company's organisational culture. Table 4 summarises the observations regarding the setting the path stage, making it possible to verify that the case replicates the expected pattern (Yin, 2018).

Table 4 - Setting the Path Stage Analysis

Setting the Path		
Outline the Business Model	**Select Company Boundaries to Manage Complements**	**Create Loyalty and Commitment**
Tackle a market segment where consumers are willing to pay a medium to high price for a high-quality wine with a singular profile	Use of outsourcing for the *dégorgement* process	Ensure that the change process involves all existing employees
Innovate via single varietal wines production crafted from ancient Douro grape varieties	Contract an oenology advisor to assist in the creation of new wine's profiles	VINILOURENÇO's organisational culture

Source: Author's analysis

After the opportunities have been identified and the path for the new business model has been established, according to the following stage - action the path - of the framework proposed by Cardeal (2010), an adaptation and reconfiguration within the company is necessary to enhance the changing process and implement the new outlined business model. Decentralisation, functional policies, knowledge management, and perseverance are necessary microfoundations to change and put the new outlined business model in practice (Cardeal, 2010).

Cardeal's (2010) framework states that decentralisation involves diluting the decision-making within the company's hierarchical structure, in which autonomy is seen as an important driver of DC (Prieto et al, 2009). Implementing the new business model required Jorge to start spending more time at the winery, testing new vinification techniques or blends, understanding the cultivation requirements of the new grape varieties introduced, and spending less and less time helping his employees with day-to-day tasks. As a result of the low employee turnover rate, especially among field workers, employees always had the autonomy to solve day-to-day operational problems. This autonomy allowed Jorge to focus on implementing the new business model while maintaining his commercial role until 2012. As the company grew, it moved from a simple organisational structure to a functional one.

Implementing the new business model required changes in VINILOURENÇO's functional policies. The microfoundation functional policies capture not only specific policies regarding value chain activities but also necessary investments to align the company's assets with the new business model (Cardeal, 2010). Several observations were made regarding changes in functional policies within VINILOURENÇO (for a more detailed analysis, see Table 5). The company began to separate the grapes harvested in each plot with greater detail, which required investment in the winery, and it gradually began to devote more and more effort to searching for ancient Douro grape varieties within old vineyards, *inter alia.*

Given that implementing the new business model required contracting an oenology advisor to support the creation of the profiles for the new wines, observations at the knowledge management microfundation level were also verified. Such contracting promoted knowledge transfer from outside to the company, which was necessary for implementing the new business model. In the long run, it also helped Jorge improve his technical competencies by assimilating such knowledge, and for this reason, this company boundary is not observed nowadays. Equally important, the low employee turnover rate enabled tacit knowledge creation and transfer over time within VINILOURENÇO, especially concerning the cultivation requirements of ancient Douro grape varieties. All this VINILOURENÇO's adaptation and reconfiguration, necessary to pursue identified opportunities and implement the new business model, required perseverance from the company's leader, assuming the loss of final retailers and the fading of a brand whose reputation took time to create. Over and above that, VINILOURENÇO needed to promote its new wines among final retailers and consumers, heavily investing in word-of-mouth marketing, to capture new distributors' attention. Table 5 summarises the observations regarding the action the path stage, making it possible to verify that the case replicates the expected pattern (Yin, 2018).

Table 5 – Action the Path Stage Analysis

Action the Path			
Decentralisation	**Functional Policies**	**Perseverance**	**Knowledge Management**
The leader's distancing from the day-to-day vineyard operations and the later hiring of a salesperson	Cease promotion and the (gradual) commercialisation of the Cruzeiro brand among final retailers	Accept losing final retailers who only wanted to sell the Cruzeiro brand, and the gradual fading of the brand	An oenology advisor promoted knowledge transfer from outside to the company
Autonomy of the employees to solve day-to-day operational problems	Start to separate the grapes harvested in each plot with greater detail	*"...was going to cities, restaurants, wine shops and open bottles. Offer a tasting and talk about the wine. Repeating the same thing thousands of times!"* - Rui Ló	The low employee turnover rate enabled tacit knowledge creation and transfer over time
	Investment in smaller stainless-steel tanks and new barrels (from American oak)	*"If we want to differentiate ourselves, we must take a different route! And it was challenging at the time!"* - Jorge Lourenço	
	Devote more and more effort to searching for ancient Douro grape varieties within the old vineyards		
	More experiments began to be carried out regarding winemaking techniques and wine profile creation		

Source: Author's analysis

All things considered, the observations undertaken regarding VINILOURENÇO's new business model allow us to understand how the company developed new capabilities that sustain its competitive advantage. As a result of the changes in the company's functional policies, in particular, the emphasis on trying new winemaking techniques and wine profiles, alongside the devotion to ancient Douro grape varieties, led to the identification of new internal opportunities by the leader, thereby sustaining the (dynamic) capabilities under analysis via a feedback loop.

6. Conclusion

Understanding the sources of competitive advantage of companies has been one of the most appealing topics among strategic researchers. It is no coincidence that the RBV and DC are two of the best-known theories in strategic management. As we can see in the course of the literature review, there is still no consensus regarding the sources of competitive advantage. Even though there is no universal formula, this research contributed to the existing literature by illustrating how a company operating in a mature industry characterised by a moderate environmental change has surpassed the natural limitation of being an SME, remaining competitive by developing new capabilities at the root of its competitive advantage.

The first finding of this research is that none of the critical individual resources underlying the capabilities analysed pass the VRIO test. Therefore, the research positions the sources of competitive advantage on the side of capabilities rather than resources. Additionally, by defining capabilities as bundles of resources controlled by a company, and framing them as an "intermediary output" between resources and competitive advantage, the research helps elucidate the difference between resources and capabilities, often perceived as the same thing in the literature. This research also contributes to the existing literature by showing how capabilities are developed, providing an empirical observation about how critical resources/capabilities are transformed into a competitive advantage in a real-world business scenario. Thus, it helps address criticisms of both RBV and DC, supporting also Cardeal's (2010) proposed framework.

Regarding managerial practices, the research highlights the importance of leaders in identifying opportunities and coordinating the process of change necessary to develop new capabilities. Equally important, it brings attention to the importance of implementing new business models and developing new capabilities while the existing ones are still being exploited.

The presented research also has its own limitations. First, the research lacks a detailed qualitative data analysis to provide a better understanding of how the Portuguese wine industry evolved. Second, only two capabilities have been analysed as possible sources of competitive advantage. The brand D. GRAÇA represents 59,8% of the company's sales volume (see Exhibit 11). Given the adopted definition of capabilities, D. GRAÇA brand can also be considered one more capability at the root of VINILOURENÇO's competitive advantage, as, at first glance, it seems a VRI capability. Future studies on VINILOURENÇO may focus on this capability and assess the extent to which Cardeal's (2010) proposed framework fits or if adaptations are required. Last but not least, the research was based only on one company; therefore, the results obtained should not be generalised.

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MarketLine

Sistema de Análise de Balanços Ibéricos (SABI)

VINIPORTUGAL

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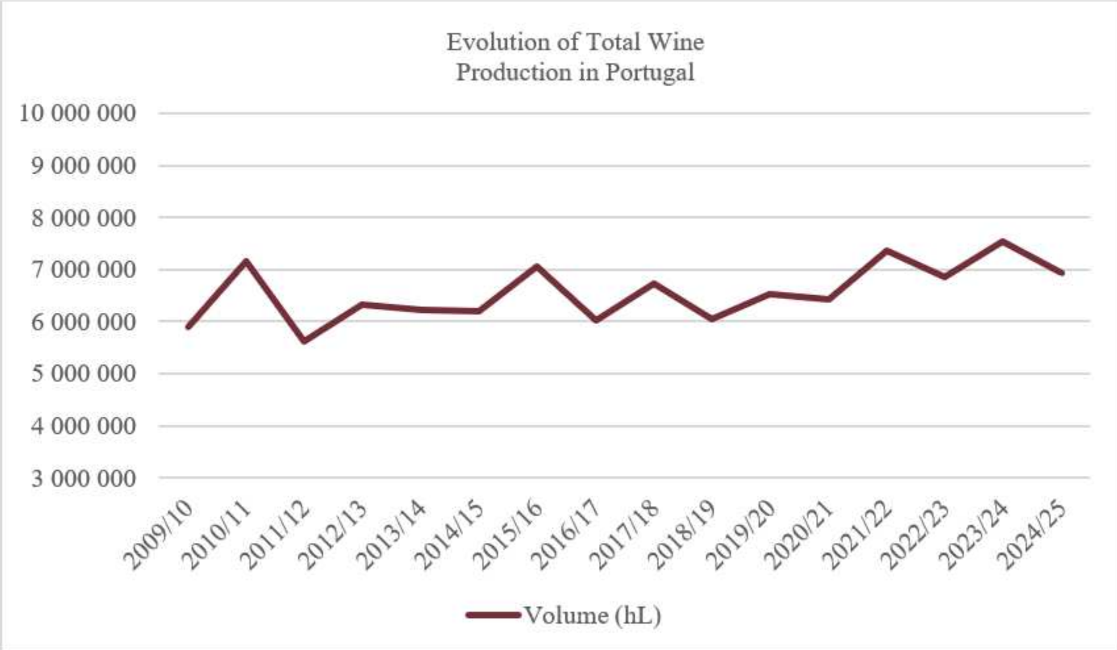
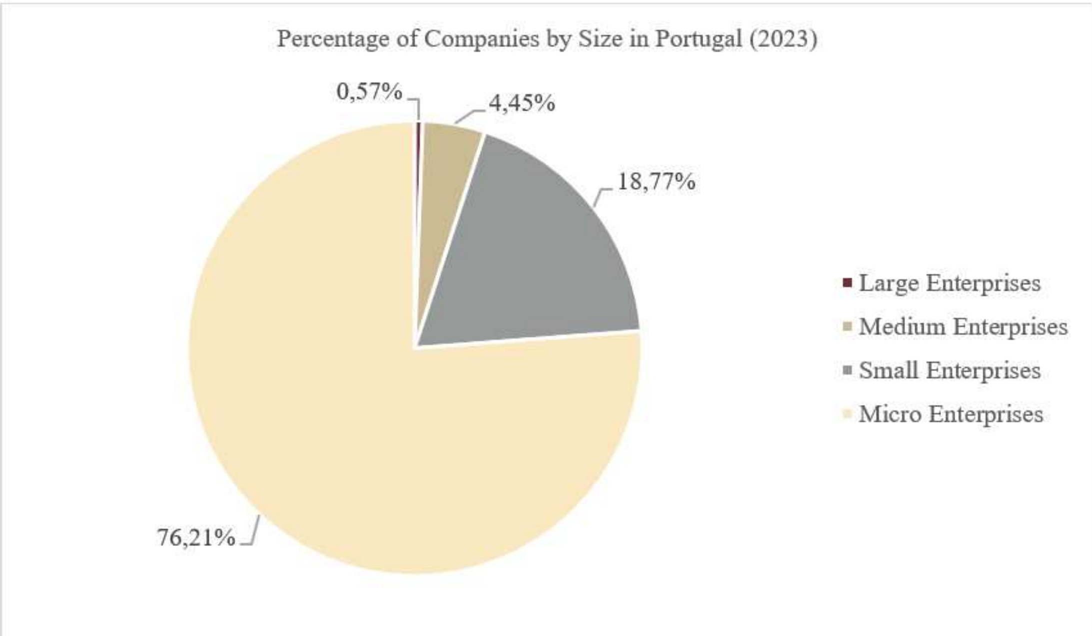
Exhibits:

Exhibit 1: Evolution of Total Wine Production in Portugal (in Volume)



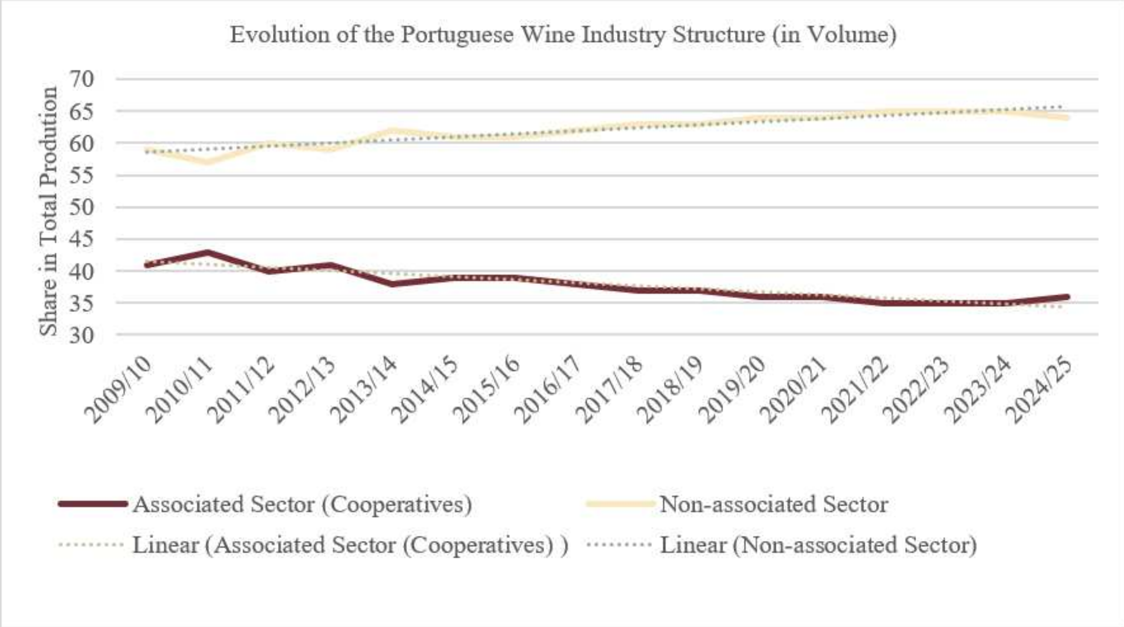
Source: Author's elaboration based on IVV data

Exhibit 2: Portuguese Wine Industry Structure



Source: Adapted from VINIPORTUGAL (2023)

Exhibit 3: Portuguese Wine Industry Structure Evolution



Source: Author's elaboration based on IVV data

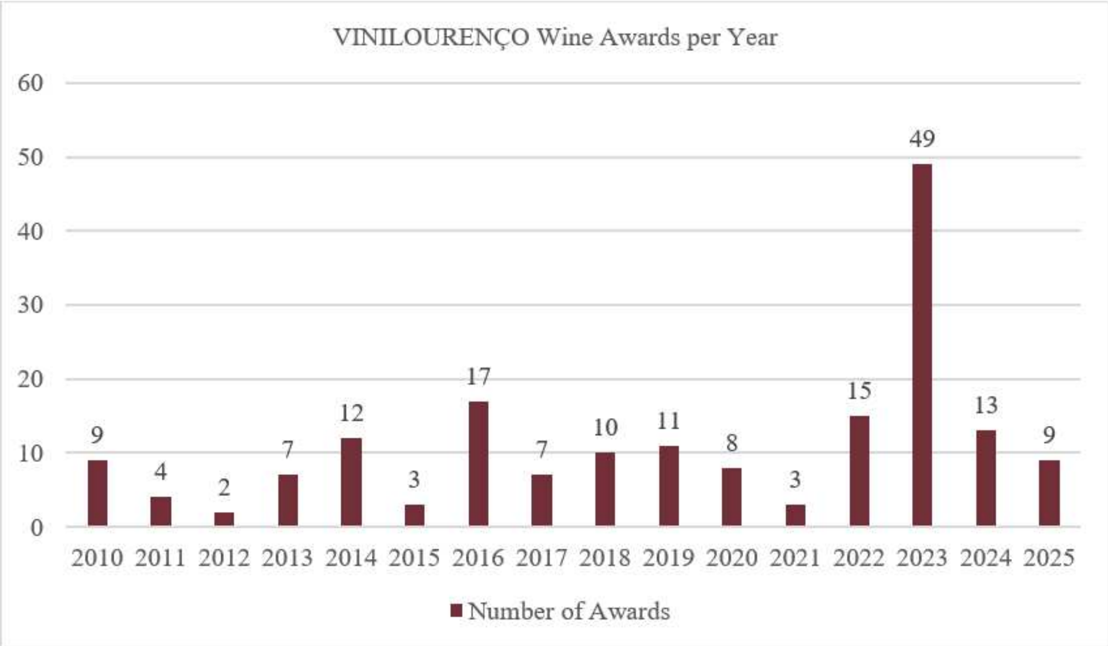
Exhibit 4: Grape Variety by Area within Douro Region

Region	Grape Variety	Colour	Area	%
DOURO			**43 466,0**	**100,0%**
	Touriga Franca	R	12 213,9	28,1%
	Aragonez / Tinta Roriz / Tempranillo	R	6 737,2	15,5%
	Touriga Nacional	R	5 042,1	11,6%
	Tinta Barroca	R	2 868,8	6,6%
	Rabigato	W	1 738,6	4,0%
	Síria / Roupeiro / Códega	W	1 521,3	3,5%
	Trincadeira / Tinta Amarela / Trincadeira Preta	R	1 304,0	3,0%
	Malvasia Fina / Boal	W	1 260,5	2,9%
	Viosinho	W	1 130,1	2,6%
	Moscatel Galego Branco / Muscat à Petits Grains	W	912,8	2,1%
	Marufo / Mourisco Roxo	R	869,3	2,0%
	Códega do Larinho	W	825,9	1,9%
	Gouveio	W	695,5	1,6%
	Malvasia Preta	R	608,5	1,4%
	Malvasia Rei	W	565,1	1,3%
	Vinhão / Sousão	R	434,7	1,0%
	Other Grape Varieties		4 737,8	10,9%

This category includes international grape varieties, grape varieties typical of other regions of Portugal, and the ancient Douro grape varieties.

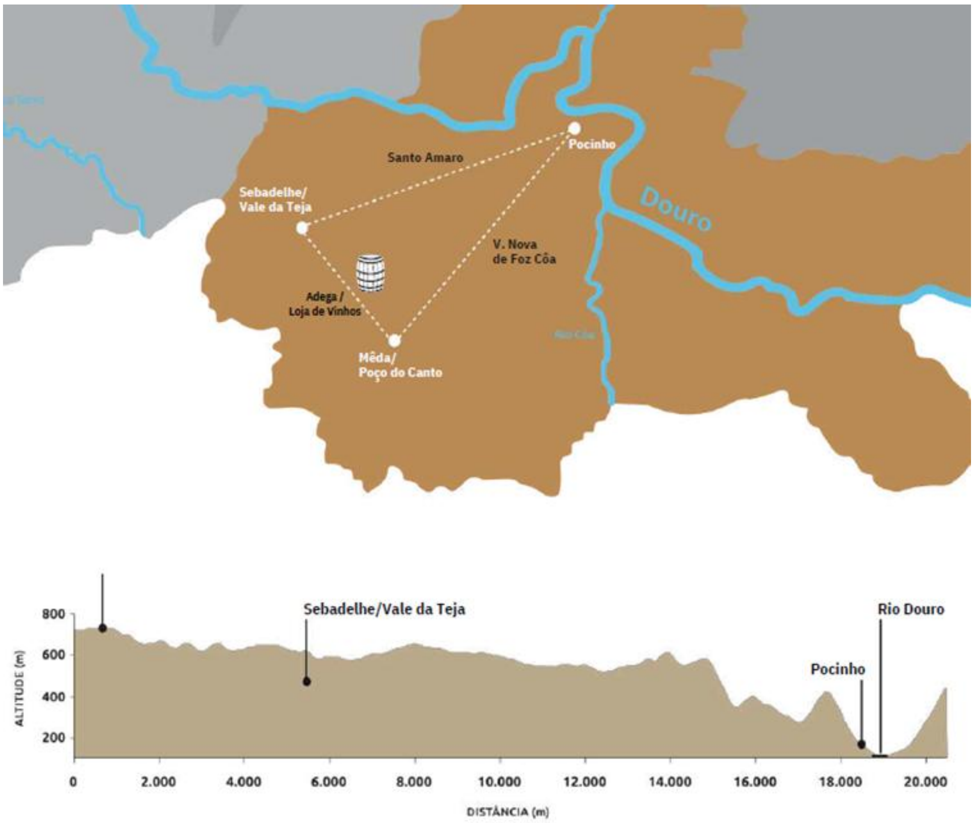
Source: Adapted from IVV

Exhibit 5: VINILOURENÇO Wine Awards per Year



Source: Adapted from VINILOURENÇO's sales catalogue for 2025

Exhibit 6: VINILOURENÇO's Vineyards Locations



Source: VINILOURENÇO's sales catalogue for 2025

Exhibit 7: VINILOURENÇO’s Vineyards Characteristics

Source: VINILOURENÇO's sales catalogue for 2025

Exhibit 8: Jorge Lourenço's IVDP Recognition

EM NOME DO PAI, DA MÃE E DO AVÔ

JORGE LOURENÇO
VINILOURENÇO

Quando soube que o IVDP o distinguira, no âmbito da iniciativa "Douro + Sustentável", com o prémio Enologia, Jorge Lourenço esfregou os olhos, antes de acreditar. "O Douro é tão grande, tem tanta gente com tanta sabedoria e com maior dimensão do que nós que, confesso, custou-me a acreditar. Até porque, ainda por cima, não tenho nenhum curso de enologia", diz o sócio-gerente da Vinilourenço. "Talvez por isso tenha sido um marco que considero altamente importante", frisa Jorge, enquanto olha de soslaio para a beleza da paisagem duriense que o rodeia, lá no alto da freguesia de Poço do Campo, na Mêda.

Foi ali que, vai para duas décadas, o pai Horácio decidiu ser tempo de produzir vinho próprio, a partir dos 20 hectares de vinha que, passo a passo, fora adquirindo desde que retornara de Angola. Jorge, com um curso de empresário agrícola entretanto tirado, entrou na empreitada. Em boa hora: volvidos 20 anos, a Vinilourenço, que dirige a meias com a mulher, aumentou o pecúlio para mais de 50 hectares, multiplicando por sete o volume de negócios, para 1,5 milhões de euros. Hoje, entre marcas próprias e parcerias, a empresa produz 400 mil garradas de vinho e saca 400 mil litros das uvas apanhadas nas quintas.

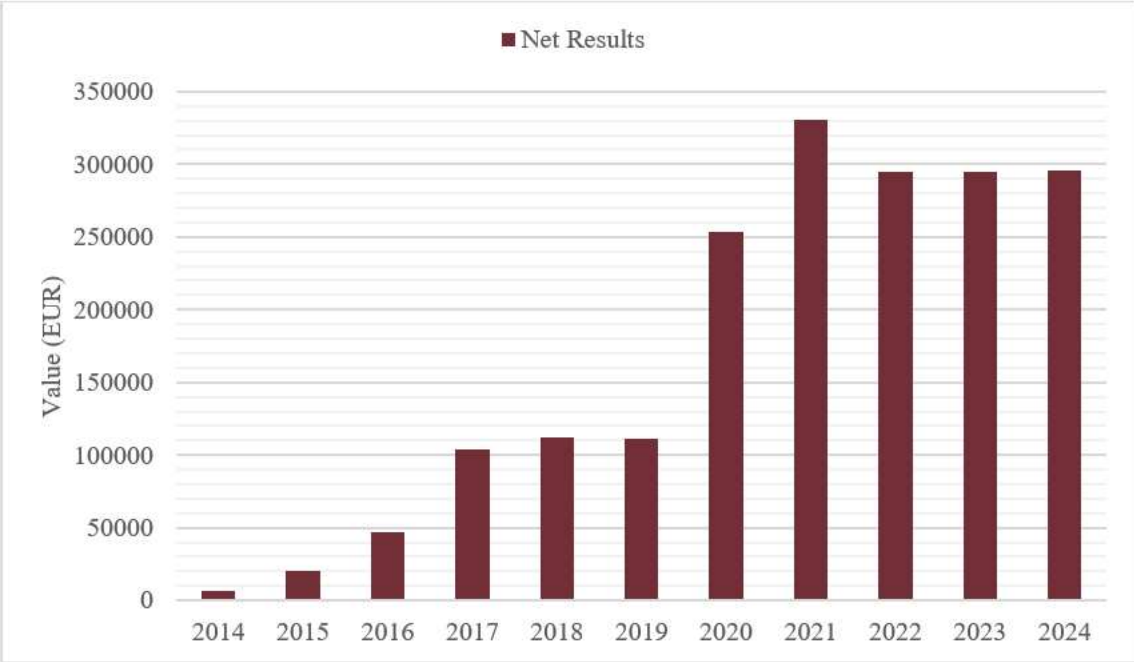
Há duas marcas indeléveis na estratégia desenhada por Jorge. Sustentados, em boa medida, na recuperação de castas antigas, de que são exemplo a Viosinho, a Samarrinho e a Donzelinho, os nomes dos principais vinhos (D. Graça, Pai Horácio, Avô Escrivão) são provas de amor aos que, fruto de intensa labuta, montaram os alicerces da Vinilourenço. A Jorge cumpre manter viva a memória dos entes, fazendo vinhos que conquistem palatos.

E Jorge fá-lo com afinco. Ora tirando "o máximo possível da matéria-prima", ora "aproveitando a frescura das uvas produzidas em altitude e a densidade das vinhas mais baixas", ora "contando as histórias agarradas a cada um dos vinhos, o que às vezes nos permite entusiasmar mesmo as pessoas que dizem não apreciar muito o vinho".

O saber acumulado pelo proprietário da Vinilourenço, acoplado "ao muito que aprendi com pessoas como o Artur Rodrigues e o Virgílio Loureiro" (produtor e enólogo, respetivamente), permite-lhe hoje dizer sem ponta de sobranceria: "Não sou enólogo, mas sinto-me enólogo. Acho que os meus pares me reconhecem pela humildade. A verdade é que só sei ser asssim", assinala Jorge Lourenço. Entre outros, o prémio do IVDP prova que "ser assim" não é pouco – é muito.

Source: IVDP (2023)

Exhibit 9: VINILOURENÇO's Net Results



Source: Adapted from SABI

Exhibit 10: Propositions of Cardeal (2010) Proposed Framework on Capabilities Development

Proposition 1a: "*The identification of external market opportunities in companies operating in mature industries, in a changing environment, and located in clusters, contributes to the outline of a new business model.*" (p. 181)

Proposition 1b: "*The identification of internal opportunities in companies operating in mature industries, in a changing environment, and located in clusters, contributes to the outline of a new business model.*" (p. 181)

Proposition 1c: "*When opportunities are identified by top managers, companies are more willing to outline new business models.*" (p. 181)

Proposition 2a: "*The decision-making, in the level of defining the company's boundaries, consistent with the defined business model, increases the probability of success in implementing the new business model.*" (p. 184)

Proposition 2b: "*The decision-making, in the level of creating loyalty and commitment to the defined business model, increases the probability of success in implementing the new business model.*" (p. 189)

Proposition 3a: "*A decentralisation of responsibilities and autonomy of the various members of the company enhances the capacity for change and the implementation of the new business model.*" (p. 190)

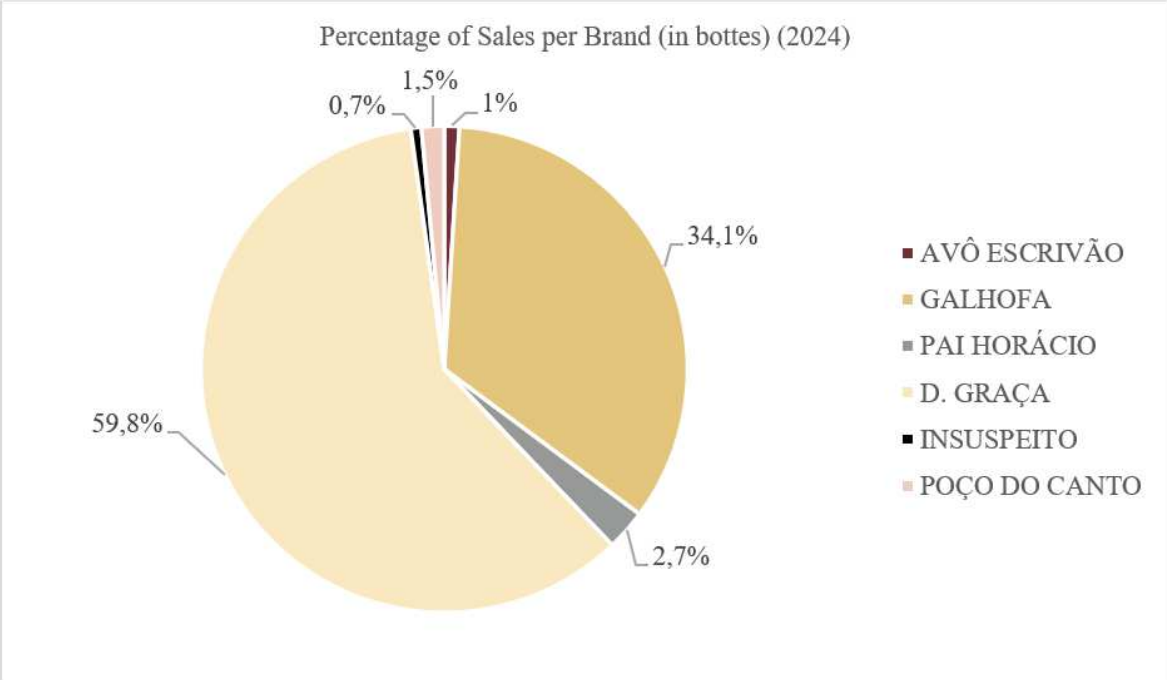
Proposition 3b: "*The adoption of functional policies aligned with the outlined business model enhances the capacity for change and the implementation of the new business model.*" (p. 193)

Proposition 3c: "*The leader's perseverance in pursuing changes to implement the outlined business model enhances the capacity for change and implementation of the new business model.*" (p. 195)

Proposition 3d: "*The management of the knowledge necessary for the new business model, obtained through sharing, transfer and learning, enhances the capacity for change and implementation of the new business model.*" (p. 196)

Source: Adapted/translated from Cardeal (2010)

Exhibit 11: VINILOURENÇO Percentage of Sales per Brand



Source: Adapted from an internal company document