



# **Valérius Growth Trajectory**

## A Case Study on Competitive Advantage in the Portuguese Textile and Clothing Industry

Inês Maria Simões de Almeida

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# ABSTRACT

**Title:** Valérius growth trajectory - A Case Study on Competitive Advantage in the Portuguese Textile and Clothing Industry

**Author:** Inês Maria Simões de Almeida

This dissertation, written in a form of case study, aims to address how a firm operating in the Portuguese textile and clothing industry was able to survive the challenges posed by the dynamics felt in the industry. It serves as a teaching instrument since it provides tools for the study of a real-life situation and application of theoretical frameworks learned in class.

Valérius is a Portuguese company operating in the textile and clothing industry dedicated to the production of knitwear garments for the high premium segment, being able to craft a growth trajectory over the last years. Why is Valérius able to survive while many other companies are failing? What is on the basis of its competitive advantage?

The options the company made, when facing difficult decisions in order to cope with changes on the external environment, creates a set of interesting issues to address in strategy courses, to further deepen students' knowledge on theoretical concepts. The proposed case study delivers the base for a critical analysis of the company in order to understand where lies its competitive advantage, particularly with the study of the dynamic capabilities approach.

**Keywords:** Competitive Advantage; Resource-Based Theory; Dynamic Capabilities; Exogenous shock.



## RESUMO

**Título:** Trajetória de Crescimento da Valérius – Um Caso de Estudo sobre Vantagem Competitiva na Indústria Têxtil e de Vestuário Portuguesa

**Autor:** Inês Maria Simões de Almeida

Esta dissertação, escrita na forma de um estudo de caso, tem como objetivo compreender como é que uma empresa que atua na indústria têxtil e de vestuário portuguesa, conseguiu assegurar a sua sobrevivência face aos desafios da dinâmica constante sentida na indústria. Este serve como um instrumento de ensino, pois permite estudar uma situação real e posteriormente aplicar as teorias aprendidas em aula.

A Valérius é uma empresa portuguesa que opera na indústria têxtil e de vestuário portuguesa, dedicada à confeção de vestuário exterior, especialmente de malhas, para o sector médio/alto. A empresa conseguiu construir uma trajetória de crescimento ao longo dos anos. Porque é que a Valérius consegue sobreviver, enquanto muitas outras empresas falharam? O que está na base da sua vantagem competitiva?

As opções tomadas pela empresa, aquando de difíceis decisões, para se enquadrarem nas mudanças sentidas no ambiente externo, cria uma série de tópicos interessantes para abordar nos cursos de estratégia, de forma a aprofundar o conhecimento dos estudantes relativamente aos conceitos teóricos. O estudo de caso aqui proposto, dá uma base para que seja feita uma análise crítica da empresa de forma a perceber de que forma é alcançada a vantagem competitiva, particularmente através do estudo das capacidades dinâmicas.

**Palavras-chave:** Vantagem Competitiva; Teoria Baseada nos Recursos; Capacidades Dinâmicas; Choques Exógenos.



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## **LIST OF ABBREVIATIONS**

<b>T&amp;C</b>	Textile and Clothing
<b>T&amp;CI</b>	Textile and Clothing Industry
<b>CFO</b>	Chief Financial Officer
<b>CEO</b>	Chief Executive Officer
<b>B2B</b>	Business-to-Business
<b>R&amp;D</b>	Research and Development
<b>ECC</b>	European Economic Community
<b>WTO</b>	World Trade Organization
<b>CA</b>	Competitive Advantage
<b>VRIN</b>	Valuable, Rare, Inimitable and Nonsubstitutable
<b>SCA</b>	Sustained Competitive Advantage
<b>RBV</b>	Resource-based View
<b>R&amp;C</b>	Resources and Capabilities
<b>I/OM</b>	Industrial Organization Model
<b>TMT</b>	Top Management Teams
<b>DC</b>	Dynamic Capabilities
<b>VRIO</b>	Valuable, Rare, Inimitable, Organization

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# **I. CASE STUDY**

## **1. Introduction**

*“Valérius, from Latin VALERIO means “to be strong” and represents the ability to compete”*

Valérius is a Portuguese company acting in the textile and clothing sector. They produce clothes, especially circular knitwear for women, the company is completely vertical integrated, from modulation to garments’ confection.

Valérius is being able to survive in the rapid changing environment that is being characteristic of the textile sector in Europe and, more specifically in Portugal, over the last years.

The lack of industry development of the Portuguese Textile and Clothing Industry (T&CI), the 2008 economic crisis and the cheap labor force used as main driver of competitive advantage, practiced by most of the companies in the sector, which was easily found in many other countries, impacted heavily the conjuncture of the Portuguese T&CI, forced many companies to stop their production and even close its businesses.

Despite all those conditions, that most companies were exposed to, the appetite for innovation and client satisfaction acted as Valérius’ drivers of growth, through the past years. Crafting a growth trajectory into new markets and with new clients.

With that, some questions arise when referring Valérius: What distinct them from other companies of the industry? Why are they able to survive while many other companies failed?

## **2. Valérius Group**

Valérius is a Portuguese textile company situated in the North of Portugal, more specifically in Barcelos. Born in 2007, with an acquisition made by José Manuel Vilas Boas Ferreira from a company that at the time had some clients, especially on the Italian market and human resources with know-how. Since the beginning it has been able to construct an ascendant path, even throughout difficult times. Not only in terms of turnover, as also, in terms of clients and technology.

Being recognized several times, especially in what concerns technology and innovation. Working mostly with international clients, it is being able to act in its election market, the high premium, due to its big production capacity and factory area of 3500m<sup>2</sup>. It has four automatic cutting stations, specialized equipment for technical parts which enables a delivery time of only 6 weeks and a production ready for order's replacement in just 4 weeks. It is mostly known for its women's wear, especially circular knitwear.

The mission that José Manuel Vilas Boas Ferreira, CEO of the group, and its team, adopted since the beginning, is that the client is above everything else, they want to achieve the maximum satisfaction of each of their clients and for that, they treat each one of them as unique. It is only possible due to its flexible production - adapted from small till large orders and by having commercial teams focused in different universes of customers, being 100% dedicated to the needs of each client. *"Our strategy is completely focused on the client"* Fátima Pinho, Valérius CFO

Besides working as B2B for private label, which is its major activity, Valérius also has its own brands. Those brands don't represent large numbers in terms of sales but are a good way of marketing the quality and type of products of the group, acting as showcase for other companies.

Nowadays the competitive advantage of Valérius lies in the way they treat their customers and how they provide value for them, by being highly specialized, by knowing their customers well, and by providing products with relatively high quality at a good price and at a short amount of time.

## **2.1. Clients**

The clients are the ones who shape the path of the company, there is a close relationship with each client, and for the company they are seen more as a partner than a client.

In 2017, the focus continued to be mainly private label clients in international markets, focusing 99% of its turnover on exportation to Europe, mainly Nordic countries and Italy. 50% of its turnover is based on 3 clients, which consist of the focus clients of Valérius, targeting high or premium clients, the Moschino Group, H&M and Max Mara. The remaining 50% are distributed over 40 clients such as Carven, Adolfo Dominguez, Pepe, Joseph, J. Lindeberg.

Internationalization is part of Valérius' strategy; it aims to increase its presence in Europe, especially in Italy, Germany, Spain, England, France, the Netherlands, Norway and Japan. At the moment Valérius has client in 17 different countries. (Figure 2)

*“Internationalization came to the group as a natural course to follow, the biggest clients in the fashion industry are not situated in Portugal, the company has enough resources for Portugal and to export to companies abroad, the way of growing was naturally becoming global.”*

*Fátima Pinho, Valérius CFO*

The internationalization is only made through direct exports, since they do not have subsidiaries out of Portugal, but they have different clients spread over the world, with whom they meet frequently and work with great proximity. This is intended to capitalize on the economies of scale of their production capacity.

## **2.2. Internal organization**

Since 2009, year when they decided to rearrange their internal teams, the business model is based on what they call “mini companies”. This is a concept in which they believe improves the satisfaction of the client, by being able to know in a deeper way the clients’ needs and to have a shorter response to those needs faster.

Their organizing is essentially horizontal, in order to better serve its client base. Each team works with a set of clients, since the first business contact till the delivery of the end product. After that, they still accompany the client to continuously propose new products and ensuring the quality of the designs offered. The teams are multidisciplinary and have a client manager, a sales manager, a person responsible for the quality assurance, two seamstresses and a modeler.

They act as a mini company inside the organization being responsible for the purchasing of raw materials, to the design and modulation, the proposal to clients and then to the confection itself, they assess the performance inside each team and control the entire process. *(Figure 1)*

The structure is essentially horizontal; however, they have the CEO and a management team transversal to all company and then they have the “mini companies”. The latter acting solo, only with intervention from the management team when it is really necessary. Also, all employees are considered really valuable to the organization and treated as well.

*“We have six cells, with great autonomy, acting as cost centers, with their own resources, from production till the client. And a team of management control system, which walks around and intervenes when a red flag appears. It’s a networked horizontal system, quite different from the traditional pyramid scheme.”*

*José Manuel Vilas Boas, Valérius CEO<sup>1</sup>*

Usually raw materials are bought from long term relationship suppliers, mostly Portuguese ones, although some clients have requisites on certain materials, making obligatory to use the suppliers appointed by them. These materials are showed to the clients and some modules and designs are proposed, if the clients accept the proposal, the production starts on the Valérius’ factory. Raw materials and end products are storage in a general warehouse to be shipped once a week to the clients, typically by clients’ distribution companies.

### **2.3. Innovation**

Innovation is at the heart of the company and it is part of the daily activities of the company, not only in terms of products, but also in terms of projects and the way they deal with clients.

A trend that is shaping the market is the focus on the Omni channel, the online commerce asks for a rapid response, making companies to produce faster and correspond to shorter series of demand, more times per year. Making the company to innovate in terms of processes, since they have to keep on reducing its lead time and showing new materials, control systems are also made in order to increase overall value, reducing cost and improving quality.

Sustainability also plays a critical role, since the company already obtain some certifications such as the Gots (Global Organics Standards), OekoTex e Sedex (besides ISO 9001). One of the new projects Valérius is betting for the future is the “360° Project”, which wants to promote a circular economy, through the reutilization of materials; transforming clothes’ waste into materials, to produce new garments. This project is being developed in partnership with Minho University and other companies interested on circular economy. The company will be the Portuguese pioneer in this field.

Valérius want to continue investing in R&D, to be recognized not only as a great manufacturer, but as a partner who is able to offer a complete service, starting on the choice of raw materials, till the end design. And it should continue with its client based, more directed to fashion and design, but also, to new market needs such as sports and health.

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<sup>1</sup> In (O capital humano é o grande património da nossa ITV, 2017)

## **2.4. Evolution**

For the period between 2014 till 2016, the company saw an increase in its sales, almost doubling its number, keeping on a path of accentuated growth, in the following years.

In 2016 there was a growth of 40% in turnover, comparing to the previous year, achieving a total of 31M €. This was mostly possible due to a strategy focused on a high premium segment and disinvestment on the Low Cost – Smart Price business. Besides specializing even more in products in a high quality/premium range, Valérius group is also betting on sports or health fabrics associated with technological developments.

The main focus of Valérius is the high-premium market since it is where relies its competitive advantage. Over the years, the group made an effort to change from the “smart-price low cost” approach to the higher segment and keep achieving higher service and creating added value for companies such as H&M, Moschino Group, Maxmara Group.

The great objective of medium long run is moving up on the value chain, by offering more than a simply clothing manufacturer service with great research and design, but by adding proposals of innovative raw materials, that can be directed to the fashion market itself or to health and sports sector.

## **3. The textile and clothing Industry Overview**

### **3.1. Industry at a global level**

The textile and clothing sector can be characterized in two opposite ways, the first being the high-quality fashion market, which is characterized by advanced technology, high quality material and well-paid labor force. The second, the lower-quality fashion sector, labor intensive due to a mass production, with less quality and low-paid workers. The differences among these two are usually the localization of production, in the first it is more concentrated in developed countries, and usually is by clusters, the latter is well known for its mass production in developing countries. Firms who prosecute competitive advantage in both sectors, must have different strategies. For the high quality, it is more related to advancements in technology and the ability to produce designs

that are converging with the tastes of the customer. For the low-quality sector, the more quantity and lowest price you practice the better. <sup>2</sup>

### ***3.1. Contextualization of the European T&CI***

The T&CI in the EU, in 2016, achieve a total of 171 billion on Turnover, achieve by 177,700 companies that employ 1.7 million workers. About 70% of the exports are intra-EU, it can be explained by the characteristics of EU companies, which are mostly small or medium.

EU is the second larger exporter of clothing and textile, contributing with 22% of the world sales, coming only after China, with 25%.

T&CI contributes with 5% of the total employment of the manufacturing sector in EU and 9% of the total of companies. Making it one of the largest sectors in the EU. Most of the companies are concentrated in Italy, with Portugal being one of the four main employers.

Besides the growth saw in the last years, and although the sector is well positioned nowadays, the industry will probably continue to face great challenges, EU companies should look at the future and turn the opportunities and threats into strengths. The technical textiles are something to watch for, there has been an effort to invest in R&D and education in this sector, and in the last 14 years doubled its turnover. Since it is highly doubtful that European countries can compete in terms of prices, since the price of exported products are on average, 60% higher than the imported, it should choose another path.

### ***3.2. T&CI Evolution in Europe***

Most European companies on the sector failed to anticipate the scenario post-quota abolition, since there was a quota to restrict quantities of exports on garments made in Asian countries, companies probably should have made the effort to invest on technology, instead of continuing to focus their strategy on the low wage level. Companies that fail to adapt to the new reality, closed, while others didn't suffer such a major impact from the consequences post-quota abolition.

It was only in 2014, that the European T&CI started its path of recovering, and from that point on, the industry is revealing growth on most of its important indicators. The exports intra-EU increased by 29 percentage points, since 2010.

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<sup>2</sup> (Nordås, 2004)

### **3.3. Contextualization of the Portuguese T&CI**

The Portuguese T&CI it's accountable for more than 5 billion exports annually, to more than 180 countries all over the world, which consists on about 10% of the total exports of the country, it contributes with over 1 billion euros on the balance of trade.

It was only possible to grow when companies started to look out of the country, for the Portuguese T&CI it is crucial to look to the exterior in order to keep on growing. Spain was a major help during the 2008 crisis, it was due mostly to the Inditex group, who was looking for shorter lead times, which Portugal was able to corroborate, from 6 weeks to only two weeks. And due to the small distance between Portugal and Spain, which helps on the reduction of transportation costs and also, on the lead time.

Exports are mainly to Europe, especially to Spain, Germany and Nordic countries, USA is the second region of preference. Portugal is trying to increase its relevance at a global level through its brand "made in Portugal".

The typical company of the sector, can be described as agile due to its flexibility, innovation and recognize know-how, developed through years of existence. The continuous diversification and cost-effectiveness, with shorter and shorter lead times made Portuguese companies to adapt through the difficulties. The ones that fail to adapt to the environment, closed. The ones that survived, most of them, small or medium sized, are thriving, by evolving in technology, design, new distribution channels, diversification, certifications and new products.

*"The logic of selling cheaper man-hours is gone, it is via innovation, ability to deliver the needed quantities on time, hearing the client and integrating the production chain that one becomes competitive, regardless of your scale,"*

*Luis Rodrigues, Head of Sales<sup>3</sup>*

### **3.4. T&CI Evolution in Portugal**

Back in 1986 Portugal joined the European Economic Community (ECC), which enabled a new socioeconomic development cycle especially favorable to the industrial sector. Five years later the Portuguese T&CI was achieving great results, occupying the number 10 position on the biggest exporters, at a global level.

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<sup>3</sup> In (Reuteurs, 2012)

At that time growth was sustained on the reduced labor costs, and deeply dependent of the European market, where most of the exports were going to. And although, this industry was really important for the Portuguese industry overall, the industry lacked qualification in its labor force and relied completely on its strong industrial base.

In 2001, China joins the WTO, after 15 years of difficult negotiations, this put pressure on the Portuguese industry, since it claimed its competitiveness in Europe on cheap labor force.

China, India and Pakistan with its production capacity well above some European countries and cheap labor force, where able in 2005, with the elimination of the quantitative restrictions on textiles trade, to bring even more struggles to the Portuguese T&CI.

Between 2001 and 2006, Portugal saw a decrease on the market share of the textile industry on the total global exports of 25%, on the EU of 17% and a 30% down in the clothing sector at a global scale, and 25% on the EU total exports. (*Table 1*)

To increase even more the already felt pressure, in 2007, the EU enlargement to Bulgaria and Romania decrease even more the odds of success of the Portuguese textiles.

All these countries had the capacity to have superior value, based on low production costs and to take away the competitive advantage of the Portuguese industry.

The period 1989 till 2009 besides all those political changes, and the 2008 economic crisis, was also characterized by an increase of natural and human resources, for example, fiber production in China and India expanded considerably, more specifically cotton and polyester. Access to Russian oil and gas was conveyed to the entire world, this all due to the liberalization of trade and investment. These factors had an overall contribution on the delocalization of production to the oriental countries.

Companies moved production to Eastern Europe and Asia, making the Portuguese industry to face enormous challenges, two thousand companies disappeared from the map, 51% of the companies situated in Braga were vanished, leaving nothing more that enormous empty factories in the North of Portugal. More than a thousand people lost their jobs, cutting the labor force of the sector to half. The turnover moved from 8.6 million in 2001 to 6.2 million in 2013. With the exports falling from 30% of the total weight on Portuguese economy to only 10% after the integration on EU. It was extremely difficult to compete with such low prices, there was no way to stop the relocation of production from the Portuguese companies.

Portugal entered a period of decline that was aggravated after 2005 and continued till 2009. The economic crisis felt in 2008, turned an already critical situation into an even worse one.

Was only after 2009, when companies that moved production from Portugal to Asia or Eastern Europe, returned to Portugal because of its quality, closeness and price competitiveness. With that the Portuguese industry entered a path of recovery, after registering the worst performance, in 2009. *(Figure 3)*

It was only in 2010 that the Portuguese textile industry started the path to recover, sustaining that growth path in the years after *(Figure 4)*, mostly due to some critical success factors: high quality products, industrial knowhow, focus on business to business and specialized human resources. Technological advances were, also, crucial for the Portuguese textile industry, since it enabled companies to produce faster, with higher quality and at low cost. Some other factors also helped, such as the increase on labor costs in Asia and the so called “fast-fashion”, making the time response a critical success point for companies such as ZARA, from the Inditex Group, followed by many more. Portugal being a country localized in center Europe, with access to various means of transport, and cheaper than transporting goods from Asia, turned to appear on the map again.

#### **4. The situation**

*“Cold blood, there was no plan! The only option was to survive!”*

*Fátima Pinho, Valérius CFO*

Year of 2009, José Manuel Vilas Boas Ferreira had just acquired the company 2 years ago, his team started to work as the previous team was working, since they had some customers, especially in the Italian market.

The 2008 economic crisis was impacting the clients and, for that reason, also Valérius was starting to feel that impact. All what was going on the industry, was having major impact on the way business was done.

There came the worst news ever. Their major client called them for a meeting in Italy to announce that, as a result of the recent developments, they could no longer be a client of Valérius, they couldn't afford the costs they possessed and so they had to declare bankruptcy right away.

This was not expected, since 60% of Valérius' turnover come directly from that client, and all the money invested on making the clothes for them were lost, there was 1.1 Million euros that the client still owed the company, there was no way to recover it.

*“We knew the time of certainty was over. The only certainty was the uncertain.”*

José Manuel Vilas Boas, Valérius CEO<sup>4</sup>

2009 was undoubtedly a tough year for Valérius, losing a major client and a 1.1 Million euros loss, when they had just start to run the business. The questions were: how to handle such situation? How to survive a situation like this one?

## 5. The options

When facing such a difficult situation, the company understood some changes needed to be made. Two major topics were discussed; targeting of clients and internal organization. The approach would be two change some core activities in both or only in one.

The options were:

- They could wait to see how the other clients were behaving and try to hold on in its current clients, continuing to target only the high premium segment. In terms of internal organization, no major changes would be placed. Since it was a difficult time, major changes could lead to major losses and maybe failure.

Challenges with this approach: Waiting shall only cause a worst scenario, losing such a major client could mean that other would follow the same path and maybe they wouldn't be able to acquire new customers in the same targeting, because perhaps other companies were doing it better, cheaper, easier than them, so they shall look for new ways of doing its business.

- They could restrict its internal organization, especially in terms of its team and chase new clients in a different market.

Challenges with this approach: it was expensive, it implied a major restructuration in terms of human resources and production capacity, since targeting clients in the medium/ low cost segment is completely different in terms of production.

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<sup>4</sup> In (O capital humano é o grande património da nossa ITV, 2017)

But one thing was sure, the industry had moved to another place, the way business was done couldn't no more be sustained, so they did, not only, have to change the core of the business as they did have to look for the right capabilities to do so.

## **6. How they act**

When choosing between both options, they decided that, in such a difficult time, they had to experiment and implement major changes, a major restructuring was needed, so the second option was the ideal. Immediately, a plan was put into action, it involved internal organization and targeting of new clients.

In terms of team restructuring, they moved from a vertical pyramid structure into a horizontal scheme, with teams named as “mini companies” that were completely endorsed to a set of clients to better understand and serve the client. Education also played a crucial role, with not so short outcomes. This was because they identified the major critical point of the situation, they understood that the problem was that they didn't know the client, they didn't know its strategy and future plans. They understood that the client opted for an aggressive strategy in terms of sales, investing in several physical stores across Europe and the return they had was not the expected.

At that time, Valérius understood that they should know all clients, they want to understand if the direction they want to take in the future, is aligned with what Valérius is looking for. They didn't want to be in the same situation again. With that in mind, they decided to experiment something completely different, multidisciplinary teams that acted as mini companies inside the company, completely autonomous to work with a set of similar clients.

In terms of production capacity, they understood they could not stop, so they looked for new clients and new markets, since continuing to only depend on the Italian market was not an option. They also start working with other companies that were not part of the high premium segment, in order to recover.

*“They were really helpful, since they helped us by introducing to new clients such as Timberland, and other, so we could fulfill the capacity of the factory”.*

*Fátima Pinho, Valérius CFO*

They brought the discipline and planning from the automobile industry and invested in R&D to adapt its production to new clients, they had already production capacity to assured new clients, but some improvements were put in place, since in order to serve the new segment, it was needed to decrease lead time and produce more quantities with new materials.

They drove their teams to the front door of different clients, they studied well the different prospects and they start selling with a strategy completely focused on each client strategy, when the client needed something, they were there with proposals to solve their issues.

*“We went to the market in search for new clients. In that moment of distress, we couldn’t continue to focus only in the high premium segment. We started working with the Inditex group. We increased our aggressiveness, by putting our commercial team on the front door of every client. The moment they realize they need anything, we were already there to show them solutions. And we waged on service, service, service.”*

*José Manuel Vilas Boas, Valérius CEO<sup>5</sup>*

## **7. What’s next?**

*“The Textile industry is still walking on thin ice because the uncertainty that brought the orders back from Asia to Portugal, may transform into certainty and take the production back again.”*

*José Vilas Boas, Valérius CEO*

After the turbulent start, when José Villas Boas acquired the company, Valérius was able to restructure its business, by making the client as the central piece of the business. It helped them to constantly innovate and look for ways to satisfy the current and future clients.

The company expects to continue its path of growth, to produce not only to private brands but starting their own brands. Other projects are also being put into practice, such as technology investment to enter the sports and health sectors.

Although the upcoming years seem very promising for Valérius, the industry is still seen as volatile. Valérius can act as if the industry commands its business or it can try to innovate and adapt to the constant challenges. The questions are:

How will Valérius continue to anticipate the future challenges of the industry? How will Valérius continue to adapt to the increasing technological advancements in the industry? Will it be able to continue a path of grow, year after year?

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<sup>5</sup> In (O capital humano é o grande património da nossa ITV, 2017)



## II. CASE STUDY EXHIBITS

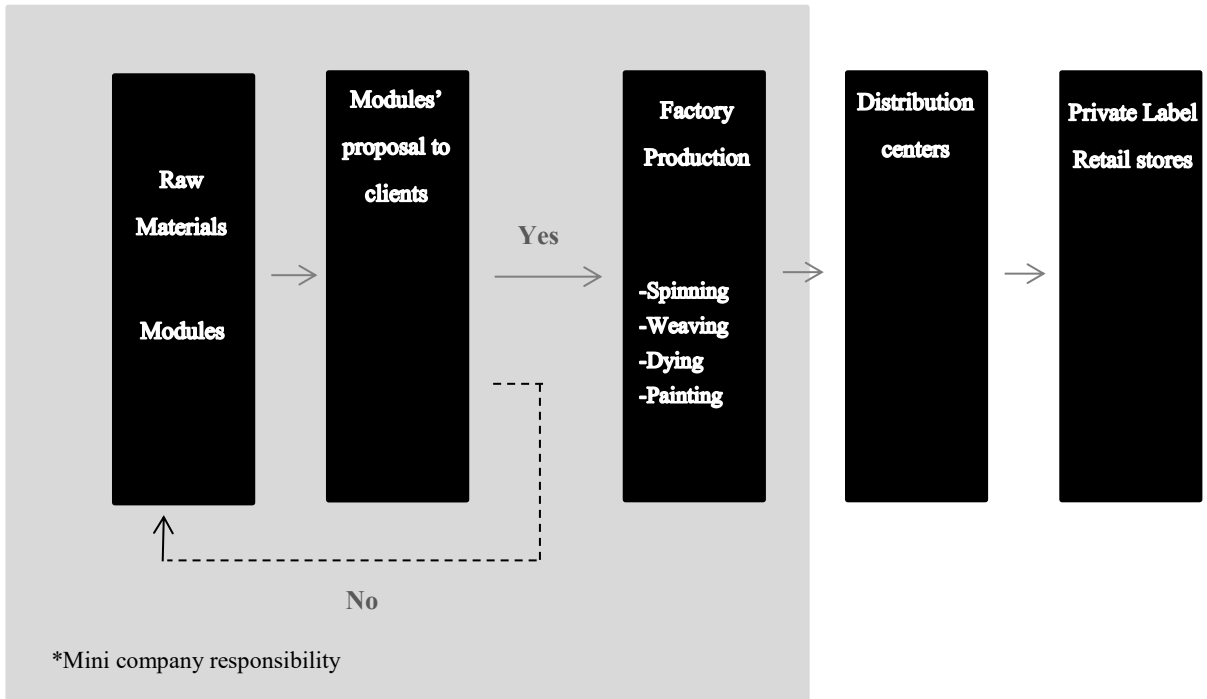


Figure 1: Company model

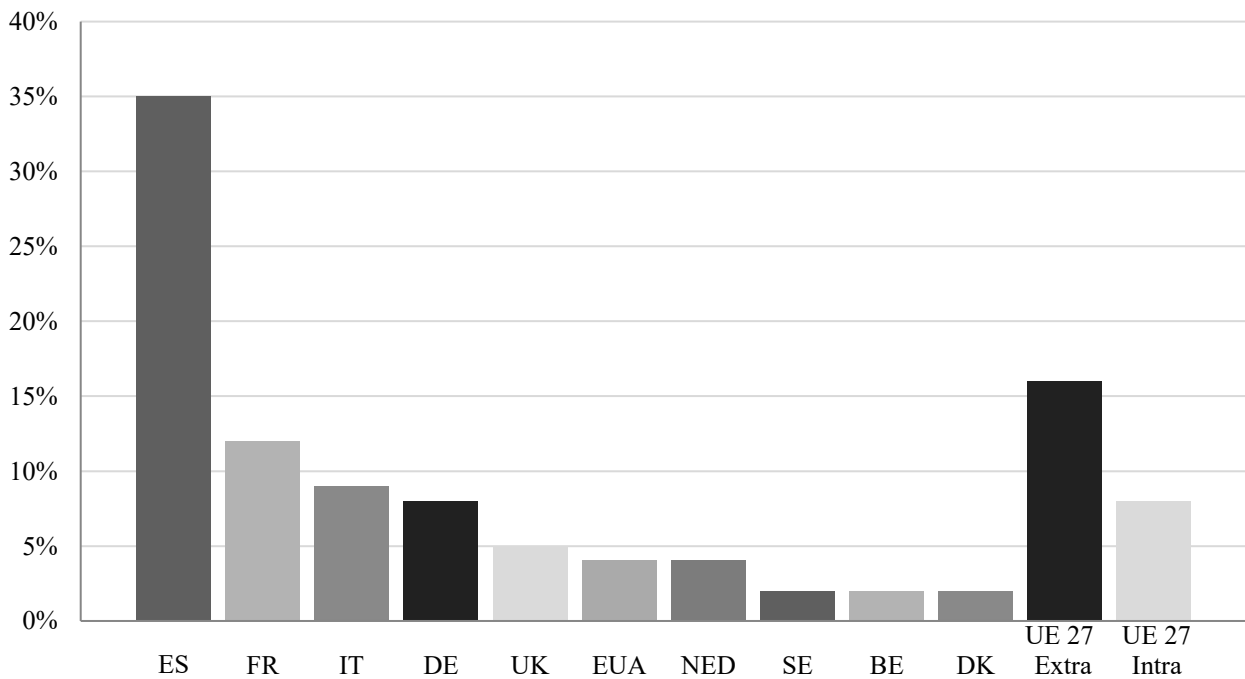


Figure 2: Client Distribution – 2016

Table 1: Evolution of main indicators - Global T&CI

	<b>Textile</b>	<b>Clothing</b>	<b>Total</b>
<b>2000</b>			
<b>World Exports</b>	1.1	1.4	1.3
<b>UE-25 Exports</b>	3.0	5.3	4.1
<b>2001</b>			
<b>World Exports</b>	1.2	1.4	1.3
<b>UE-25 Exports</b>	3.2	5.1	4.1
<b>2002</b>			
<b>World Exports</b>	1.2	1.4	1.3
<b>UE-25 Exports</b>	3.3	4.8	4.1
<b>2003</b>			
<b>World Exports</b>	1.0	1.4	1.3
<b>UE-25 Exports</b>	3.3	4.8	4.1
<b>2004</b>			
<b>World Exports</b>	1.0	1.3	1.2
<b>UE-25 Exports</b>	2.6	4.5	3.6
<b>2005</b>			
<b>World Exports</b>	0.8	1.2	1.0
<b>UE-25 Exports</b>	2.5	3.9	3.2
<b>2006</b>			
<b>World Exports</b>	0.8	1.0	0.9
<b>UE-25 Exports</b>	2.5	3.6	3.1

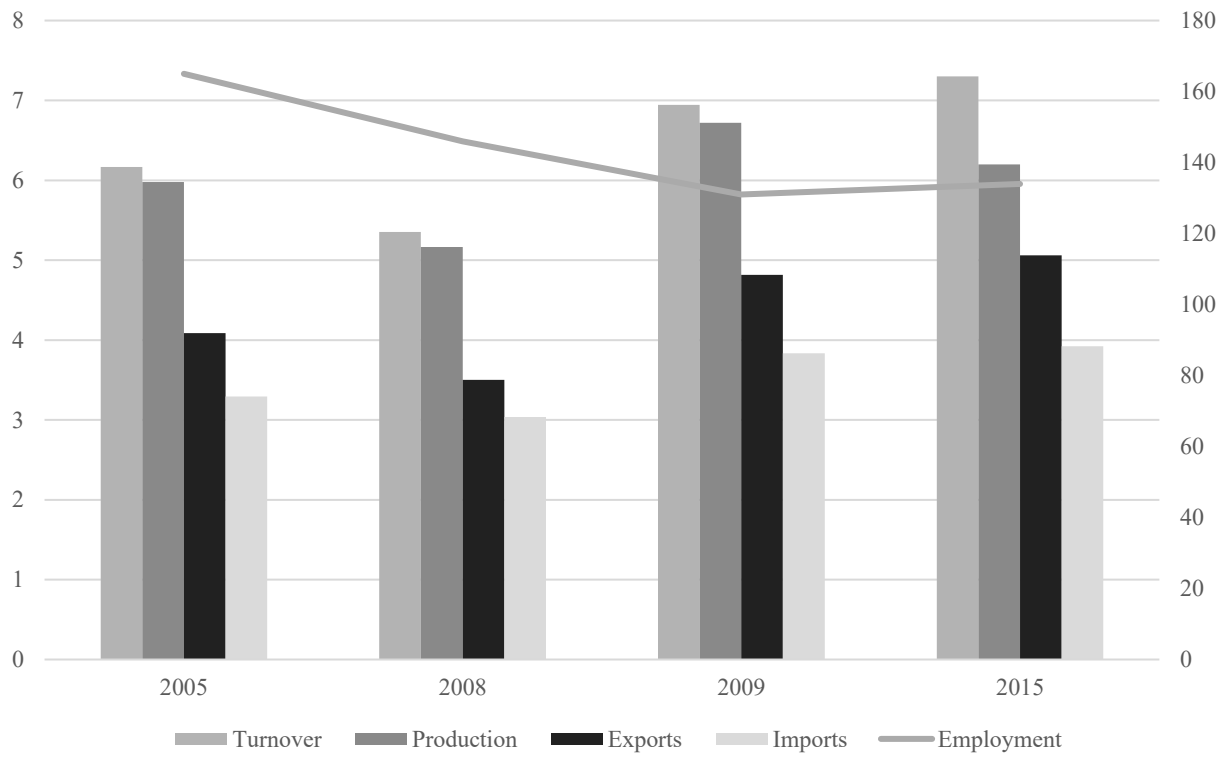


Figure 3: Evolution of the main indicators- Portuguese T&CI

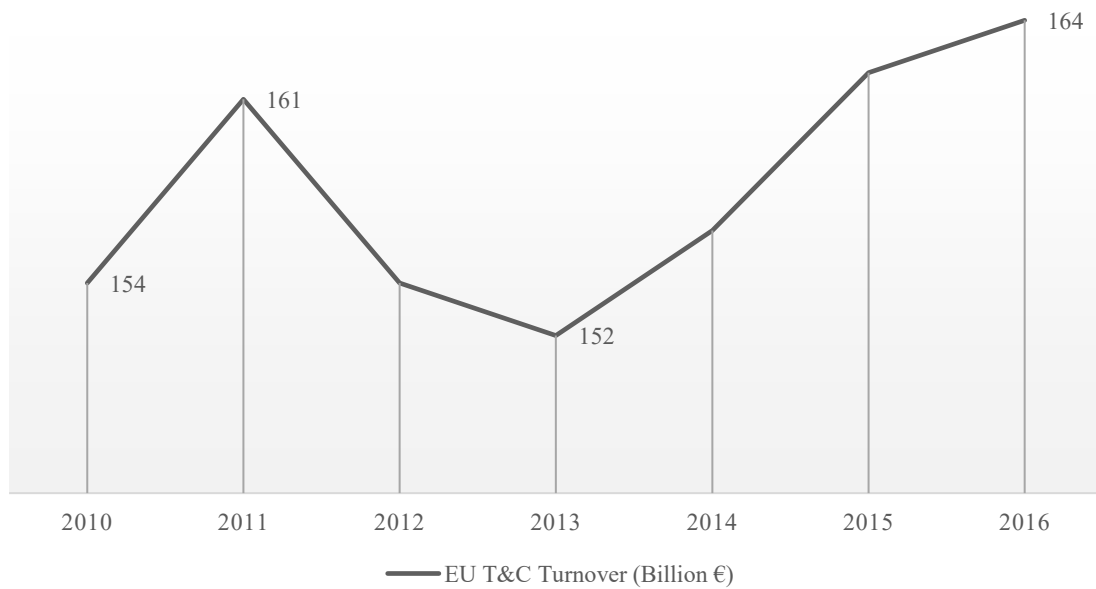


Figure 4: EU T&C Turnover (Billion €)

### **III. THEORETICAL BACKGROUND**

#### ***1. Corporate Strategy and Business Strategy***

Corporate strategy is defined by the decision setting a company makes in order to determine its goals, objectives and future actions regarding all stakeholders of the company (Foss, 1997).

Grant (2013) distinguishes resources into three different types, tangible, intangible and human resources. He states that a company can achieve competitive advantage by identifying the right resources and understanding which ones can lead to that advantage. In order to have the opportunity to have a competitive advantage (CA), a company must understand well its industry, in favor of being well positioned. These type of analysis falls into the domain of business strategy (Cardeal N. , 2014).

#### ***2. Resources and Capabilities***

Resources can be valuable, rare, inimitable and nonsubstitutable (VRIN). Examples of such type of resources are assets a firm possess such as: customer relationships, intellectual property, knowledge and know how, making it quite difficult to transfer between firms. Besides that, most of them are context specific, making them not suited to other companies. This is why those types of resources usually are difficult or almost impossible to imitate, leading to a competitive advantage.

Competences are a type of resources a firm possesses, being characterized as activities that are frequently executed, given that, are commonly described as organizational routines and subsequently organizational knowledge (Katkalo, Pitelis, & Teece, 2010).

Capabilities are the way a firm exploits its resources in a way that produces some kind of advantage (Cardeal N. , 2015).

Capabilities and resources that lead to CA are the resources that can't be bought, it means that, are those resources that must be built or created (Teece, Pisano, & Shuen, 1997).

### ***3. Competitive advantage***

A firm is said to have a CA when it creates more economic value than its marginal competitor (Peteraf & Barney, 2003).

Porter defended that competitive advantage could be achieved in two different ways, cost leadership or differentiation, based on value creation for the people acquiring the service or product, by lowering prices when offering the same benefits, or by placing a better offer than the competition. Additionally, it could only be conveyed by linking those strategies with the scope of the business, for that an analysis of the value chain is essential (Porter M. , 1985).

By analyzing its forces, in a given industry, a firm can find the position that helps it to better defend itself against competitors or influence those forces in its favor. By applying his framework, a firm can discover which industry or segment of the industry may have higher profitability returns (Porter M. , 1979).

Barney J. (1991) distinguishes between two different concepts, competitive advantage, which is the ability to create value in a way that none of its competitors is doing. While sustained competitive advantage (SCA), is being able to do so, when none of the other firms can replicate it. In order for a resource to create CA it must fulfill four characteristics: rarability, non-imitability, must be valuable and have no substitutes.

Later, Barney sates that there is a “management challenge”, in order to create CA, it is not enough to only fulfill those 4 characteristics, managers must also look inside the firm to understand what are the resources and capabilities that can best suit its competitive environment (Barney J. , 1995).

### ***4. Resource-Based View***

Wenerfelt (1984) was one of the pioneers of the term Resource-based View of the firm, after him many studied this theory. The first conception stated that, instead of looking at the products a firm produces to assess its position, it could analyze its internal resources.

After that, many studies on this matter gave emergence to some variants of the theory, Teece D. (1982) focused on innovation and resource-value creation, Barney J. (1991) and Peteraf M. (1993) highlighted value appropriation and creation.

For Barney, J. (1991), the objective of the theory was to explain how some firms kept outperforming other firms. He stated that the RBV is based on the assumption that there is heterogeneity in what respects to resources and capabilities across firms and that, these differences can be sustain for a period of time. Later he explained that the basic concept underlying the RBV theory is that the source of SCA of a given company, relies on its resources, which are VRIO and how they are applied to the organization (O). The explanation of differences in performance in a given industry is explained by what is inside the organization (Barney J. , 1995); (Busenitz & Barney, 1997).

There was a great dynamism when it comes to the evolution of management theories over the years. One understands that RBV can lead to the achievement of superior performance and position through its CA, and it is only possible by looking inside the firm for R&C and by applying them in a strategic way, it is because the main focus of the theory lies in its internal firm attributes (Raduan , Jegak , Haslinda , & Alimin , 2009). Cardeal (2014) defends that by having resources that are valuable, rare, inimitable and non-substitutable, it may lead the firm to attain a SCA.

### ***5. I/O model***

On the other side, the I/O theory considers that the position of a firm must be based on the external factors. Which means that, in order to attain superior performance, a firm must look at its external environment and only, after that, it must understand what R&C it has, in order to compete in that environment. Most of the authors defend that this theory complements the previous theory (Raduan , Jegak , Haslinda , & Alimin , 2009).

The I/O model states that what happens to the industry happens to the firm. Porter, M. (1980) explains that the variation in the industry is due to positioning.

This theory is predominately based on the idea that differences in performance are industry specific, since the performance is a result of the attractiveness of the industry, higher attractiveness means more opportunities and less threats, resulting in higher performance levels (Porter M. , 1980).

## ***6. Exogenous shock***

Overall all industries face growing shifts that amplify changes in the actual marketplace (Miller, 1992).

Those changes are disruptive in terms of the operations of the different companies and produce negative settings for the firms, forcing them to adapt the way they do business. One example of such a change is the global financial crisis (Tallman & Li).

An exogenous shock is an environmental contingency while an endogenous shock is an organizational contingency. An exogenous shock can be of technological, political/legal, social, demographic or economic context. Those are triggers of strategic change, if a firm acts in convergence with the new environmental conditions it is likely to survive. On the other hand, if it fails to adapt to the new environmental contingencies it would decrease performance and could lead to even failure. Romanelli & Tushman (1985) characterize disruptive change into two categories, the first being “convergence” and the latter “reorientation”. Convergence meaning that a firm has to adapt to the new environmental conditions, and reorientation not only adaptation, but also restructuring all basic conditions of the firm.

## ***7. Upper echelons theory***

Strategic choice is different from operational choice, since they are complex and with large significance for the organization, they are made by top executives who rely on different knowledge, first it depends on their perceived knowledge of future situations, second it is based on the knowledge about the set of alternatives and, lastly, it is influenced by the perceived consequences that derive from the different alternatives (Hambrick, 1984).

Usually top management teams (TMT) engage in strategic actions, when facing bad performance of the firm. This happens because they acknowledge more easily that their strategy is not producing the results according to the environment's situation. Secondly, different personal profiles of executive teams influence performance outcomes (Boeker, 1997).

The upper echelons theory is based on two premises, the first saying that CEO's decisions are based on their own interpretations of the strategic decisions they face and secondly, those decisions are influenced by their personal experience, values and personality. It says that the role of the TMT has great influence on firm performance (Hambrick, 2007)

## **8. *Dynamic Capabilities***

The theory of Resource-Based View, which was based on the presumption that each firm has a different bundle of resources and capabilities, and they gain competitive advantage by making sure they have a unique bundle that can be sustained over time (Penrose, 1959); (Wernerfelt, 1984). When in a rapid changing environment wasn't enough to explain how a firm could be better than the others (Winter, Dosi, Teece, & Rumelt, 1994). With that, came the theory of Teece (1997) that in rapidly changing environments firms will only be able to survive if they show dynamic capabilities.

Dynamic capabilities are the way that strategic management is able to respond to external changes towards a changing environment, by reconfiguring its internal firms' capabilities, resources and skills to achieve competitive advantage (Teece, Pisano, & Shuen, 1997). Teece (1994) wanted to explain why some firms fail, and where does the competitive advantage of the firms that did not fail, comes from.

(Winter S. G., 2003) defines DC as routines, while (Martin & Eisenhardt, 2000) describe it as simple processes a company must engage in order to face changes in high velocity markets.

Later, Helfat (2007) defined dynamic capabilities as the "capacity of an organization to purposefully create, extend, or modify its resource base". Grant M. (1996) and Pisano (1994) also viewed DC as the way by which managers alter their resource base to achieve superior competitive advantage, they do that by altering, recombining or adding new resources to address specific customers or market needs.

A different study stated that dynamic capabilities are seen as less idiosyncratic than usually are. Dynamic capabilities are the different combinations of a resource triggered by different situations and developed through different outcomes. When facing a high-velocity market, DC are based on the creation of situation specific resources or capabilities, since it must be done quickly they have usually a high experimental level. Routines are simple but somehow structured, in a way that provides rapid adaptation to the environment. Dynamic capabilities are the way a company survives in rapidly changing environments since they are based on adaptation to the different circumstances rather than the previous know as long term competitive advantage (Martin & Eisenhardt, 2000).

Barreto (2010) defines a DC as the "propensity to sense opportunities and threats, to make timely decisions, to make market- oriented decisions, and to change the firm's resource base."

Collin (2008) states that the focus of the DC should be more on the capabilities side rather than on the resources, since that in the presence of dynamic environments, resources tend to lose value quickly. It is more how a company handles the bundle of resources and combines them in a way that leads to superior performance; there are not the resources per se, but the combination that is made. Meaning that when considering the DC approach, what is in the base of the competitive advantage is the “O” on the VRIO resources of the RBV, the “O” here, is considered the capability itself that promotes the competitive advantage. (Cardeal & António , 2012 ).

Also, the resources a company has are not sufficient to achieve superior performance if not arranged accordingly to the market. Martin & Eisenhardt (2000) defends that DC are easy to identify, good examples are: alliancing, product development, and strategic decision-making, however they only constitute DC, if they are arranged in a way that actually gives superior performance.

## **IV. TEACHING NOTES**

The case study serves as a link between managerial perspective and theoretical concepts. The questions here presented serve as a guideline for the study of the case and are meant to help the students better understand the concepts learned in class.

The questions must be provided to students during class, the teaching notes help on the guidance of the case study and are meant to be used only by the teacher. During case discussion other perspectives may lead to different answers and new ways to solve the proposed questions. Also, with time, some new approaches to the present questions may appear, leading to new interpretations.

### **1. Synopsis**

Valérius is a Portuguese company operating in the textile and clothing industry, born in 2007, it produces outdoor garments, especially women's knitwear. It has been able to grow since the moment it started its business, despite all difficulties.

The moments between 2007 and 2010 were particularly difficult, since they lost a major client in 2009 and there were also some transformations in terms of the political/legal, economic and technologic paradigms, impetrating a restructuration in the way business was usually done. Most of the Portuguese companies in the industry fail to adapt to the new reality and closed business. While Valérius was able, not only to survive, as to thrive in this new environment.

As part of their strategy to adapt to the new reality Valérius opted for a restructuration in terms of its teams and also made new market choices, by starting to serve the low-cost segment, instead of continuing to only target the high/premium.

## 2. Teaching objectives

The aim of this case study is to explore how the options the company made, when facing major changes in the external environment, help on the construction of a growth strategy through the years.

This case study gives the opportunity to discuss several topics lectured in different strategy courses by analyzing the managerial perspective of a real-life situation. This is an opportunity for students to better understand:

- How competitive advantage can be achieved and sustained, what is in the base of that competitive advantage;
- What are exogenous shocks and its implications on the business of the companies that are affected by them;
- Differences and similarities of the RBV, I/O model and DC approach;
- What are indeed DC and how are those capabilities represented in real life.

## 3. Suggested assignment questions

The suggested assignment questions are meant to help the students understanding what they learn in class, through practical exercises, within the application of the theoretical frameworks on a real-life situation. It also helps teachers to better guide the case study discussion. With the theory learned in class and previous reading of the case, students should be able answer the question with well-structured answers. All information needed to answer the questions is displayed on the case study and exhibits.

1. *What are the capabilities of the firm and how are they in the origin of the competitive advantage?*
2. *Comment on the existence of exogenous shocks and the impact they may have on the firm's operations.*
3. *What is the underlying theoretical perspective?*
4. *Having in mind the I/O theory, is there any part of the case study that supports this theory? Justify.*
5. *Analyze the option the company made, considering the dynamic capabilities approach.*

## 4. Analysis and Discussion

*What are the capabilities of the firm and how are they in the origin of the competitive advantage?*

In order to answer this question properly, one must first identify the resources and capabilities of the firm, to only after, analyze these capabilities in terms of VRIO breakdown and then understand if those capabilities are indeed on the base of the firm's competitive advantage. Bearing in mind that the resources for themselves cannot create a competitive advantage, they must be bundled into complex combinations on organizational processes, taking into account the external environment, making it easier to be sustained over time and, then, lead to a superior performance.

### 1. Identify resources and capabilities

In order to easily identify the resources that lead to CA, one can perform a value chain analysis of the Valérius' company.

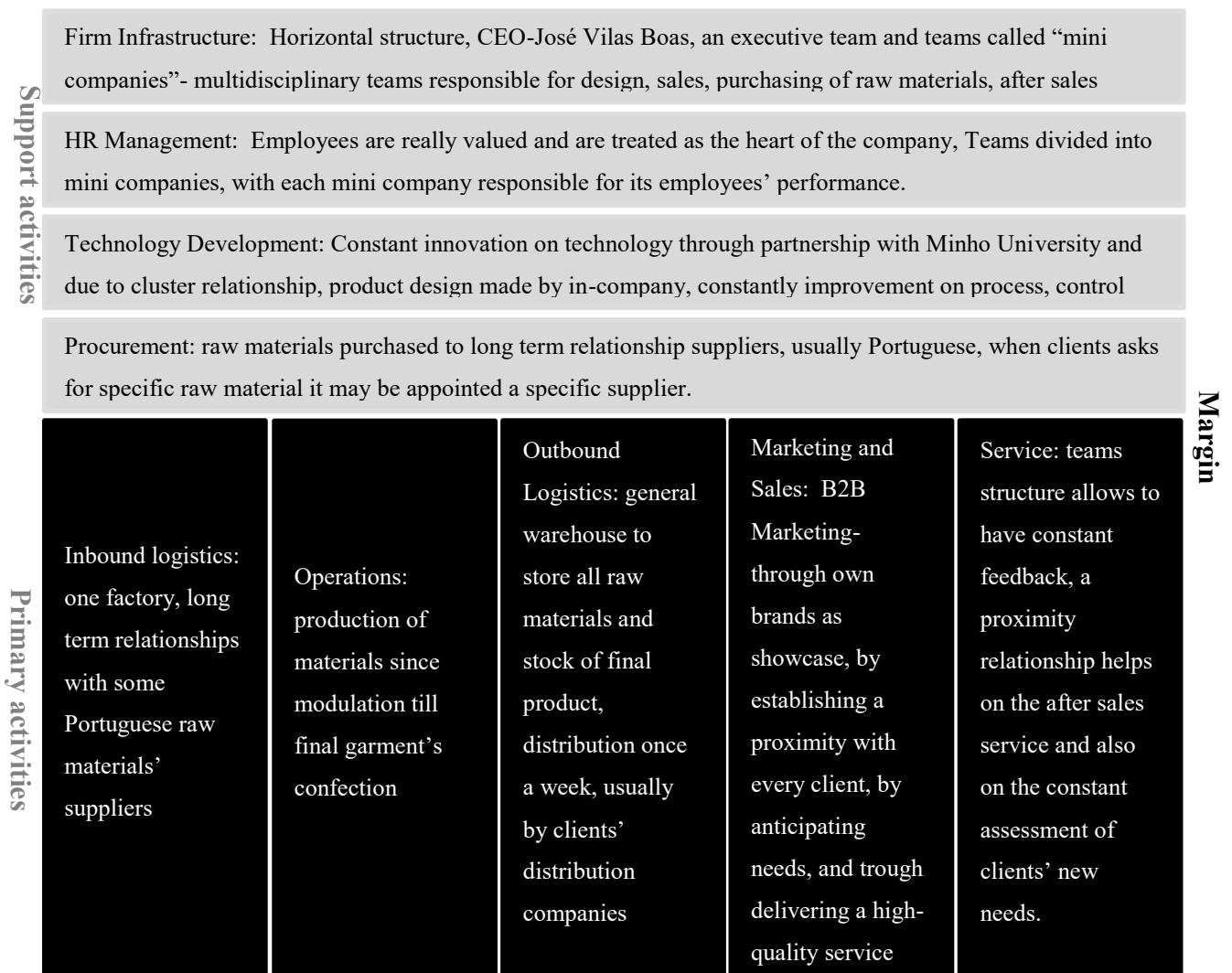


Figure 5: Valérius Value chain

After the Value chain analysis is easier to understand what resources and capabilities the company has. By taking those resources and bundled them into complex combination, it is possible to identify what are the capabilities that may be in the base of the firm's CA.

2. Identify and analyze the capabilities in terms of the VRIO breakdown

The two main capabilities of Valérius that can be on the base of its competitive advantage are:



In order to assess if the capabilities are valuable, it is important to understand if it helps on the exploitation of opportunities and neutralization of threats. On the rarability side, it must not be easily accessible by other companies, at the imitation level, it must be difficult and costly to imitate by other companies. And finally, about the organization, if the firm is able to correctly exploit those resources.

By applying the VRIO analysis these are the results:

<b>Innovation</b>	<b>Valuable</b>	<b>Rare</b>	<b>Costly to Imitate</b>	<b>Is the company able explore it well?</b>
		?	?	?

The cluster relationship and partnerships with universities such as the Minho University are indeed valuable because it allows the company to innovate in terms of production methods and new

products, such as the health and sports garments and the “360 Project” but is not rare nor costly to imitate since most of the companies in the industry have access to this resource.

The organizational culture here is in terms of innovation, since one of the values of the company is to constantly innovate in order to be always on the forefront in terms of materials and new products to present its clients, also in the way the company looks at the evolution of the industry, is valuable and rare, since they are able to keep on providing new products for high premium brands.

The sustainability concern is also valuable since it makes the company to look for certifications such as the Sedex, the GOTS, ISO 9001, ISO 14001, and also the “360 Project”. But it’s not rare nor costly to imitate since more companies also have these types of resources.

The production capacity is valuable, since the company works really fast in order to adapt its production to clients’ needs, either in terms of lead time as in new materials.

With that said, the combination of the resources mentioned above into the capability here presented as “innovation” is indeed VRIO.

<b>Teams</b>	Valuable	Rare	Costly to Imitate	Is the company able explore it well?
	?	?	?	?

The horizontal structure is indeed valuable and rare, since they have multidisciplinary teams focused by set of clients, working as “mini companies” inside the organization, allowing it to really understand and serve the client, it is costly to imitate, since it implies major restructuring of the firm to apply such change.

Clients Relationship and market knowledge are connected and shall be considered as valuable, since the company is able to really understand client’s needs, predicting when and how to satisfy the customer, allowing them to, for example, understand what to do if the clients want to shift supplier to an Asian country. But market knowledge is also rare and costly to imitate since they

develop this knowledge through years of activity and by seeing the clients as partners more than clients per se, which takes time and money.

The organizational culture connected to the Teams is based on the client as center piece of the business, which as the previous resources helps to satisfy the clients better than other would.

As in the previous capability, the “teams” capability is undoubtedly VRIO.

In conclusion, resources for themselves are not VRIO, but the capabilities (here as an output of those resources) bundled in order to achieve these 2 complex combinations are indeed VRIO, which can effectively lead to a superior performance.

### 3. Understand how the capabilities are connected with the external environment

When connecting the internal capabilities that passed the VRIO test and the external environment: “The continuous diversification and cost-effectiveness, with shorter and shorter lead times made Portuguese companies to adapt through the difficulties. The ones that fail to adapt to the environment, closed. The ones that survived, most of them, small or medium sized, are thriving, by evolving in technology, design, new distribution channels, diversification, certifications and new products” (page 7, lines 15-19 on the case study), when combining these critical factors of the industry and the capabilities of the firm, one can affirm that the capabilities act as the companies’ source of competitive advantage and may be sustained over time, since there is clearly an alignment.

#### ***Comment on the existence of exogenous shocks and the impact it may have on the firm’s operations.***

An exogenous shock is characterized as an environmental contingency since it is a disruptive change in the external environment. It can negatively affect companies operating in a given industry, by making them shift the way they usually do business, forcing them to adapt to a new reality.

An exogenous shock can be technological, political/legal, social, demographic or economic. In the case study presented here, there are some exogenous shocks. In terms of economic, there is well represented the 2008 economic crisis. In terms of political/ legal changes, there is the quota abolition in terms of quantitative restrictions in what regards production from Asian countries and, also, the enlargement of the EU to other countries such as Bulgaria and Romania. In terms of

technology, there has been a continuous series of technological development especially in the most recent years, and Valérius was always accompanying this evolution particularly through innovation on the value chain and with the creation of projects such as the Valérius 360.

Exogenous shock	Type	Major Implications	Evidence on the case study
<b>Economic crisis</b>	Economic	<p>The economic crisis impacted heavily the exportation markets of the Portuguese ITV, such as the European markets (which consisted of Valérius' major clients).</p> <p>On the downstream of the chain, Valérius clients start to look for cheaper places to produce their clothes, moving to other countries.</p> <p>On the upstream, it was difficult to access raw materials, especially due to price.</p> <p>Lack of liquidity and high restrictions on external financing with bank institutions, increase on energy costs, low private consumption and other factors were affecting Valérius' clients and indirectly Valérius.</p>	<p>(p. 8 - lines 17-22)</p> <p>(p. 9 lines 1-2; line 22-24)</p>
<b>Quota abolition on restrictive quantities</b>	Political / Legal	<p>When the quota was in place, clothing imports from Asian countries had restrictions in terms of quantity. Because of that, European companies, when looking for cheap suppliers, didn't have much choice than partner with companies from EU, such as Portugal, to conduct business.</p> <p>When the quota abolition was put into action, there was an exponential increase at the international competition level because most companies gained access to much less expensive deals, moving production to Asian countries, such as China and India.</p>	<p>(p. 6 lines 20-24)</p> <p>(p. 8 - lines 5 – 9; lines 23-26)</p>

<b>EU enlargement</b>	Political/ Legal	With the EU enlargement to Eastern countries, the Portuguese T&CI saw its production moving to these countries. Since the production cost was not consider as an advantage anymore, as those countries produced at a lower cost.	(p. 8 - lines 13 - 14)
<b>Technology advancements</b>	Technological	The way Valérius survived was by being able to innovate and keep with the technological advancements, some projects were put in place, such as the capability of production with shorter and shorter lead times, since clients are more demanding of fast fashion, meaning they ask for less clothes in a shorter time, but more times per year. Asia isn't being able to keep that pace. On the other side, sustainability is major topic in this industry and it's gaining a pronounced importance, due to that Valérius created a project called "360", consisting of circular economy to recycle old clothes into new ones.	(p. 4 - lines 20 - 26) (p. 5 - lines 13 - 16) (p. 7 - lines 20 - 22) (p. 9 - lines 10 - 11)

### *What is the underlying theoretical perspective?*

The theories on the literature review encompass the ones taught in class. The case could be analyzed having in mind three different theories: the resource-based view, the I/O theory and the Dynamic Capabilities approach.



The Industry/Organization theory (I/OT) defends that differences in performance are based on the external environment of the firm, which means that, a company should first pick an industry that can lead them to have a better performance and then acquire the resources and capabilities to operate in that industry. While the Resource-based View (RBV) states that a company has a competitive advantage that can lead to superior performance through its internal resources and capabilities, the differences in performance across firms rely in the internal process and not in the external environment characterizing the industry, the RBV states that a firm must first look internally to its resources and, only after, choose a suitable industry. The DC approach explains that differences in performance are due to the ability a firm has to adapt to its external environment, meaning that a firm must understand its external environment and have the ability to change its resource base in order to have always an internal alignment with the exterior. This understands that a firm must alter its resource base and sometimes even change their market choices.

“Valérius can act as if the industry commands its business or it can try to innovate and adapt to the constant challenges”. (Evidence on the CS: p. 12, lines: 25-26)

When going through this case study, the key concept is based on the word “**Adaptation**”, there are many evidences across the case that suggest, that in order, for a company to survive, it is crucial that it adapts to the shifts and new realities of the industry. Which means that, the underlying theoretical perspective on this case study is the **Dynamic Capabilities** approach.

“Companies that fail to **adapt** to the new reality, closed” (Evidence on the CS: p. 6, lines: 23-24).

“The continuous diversification and cost-effectiveness, with shorter and shorter lead times made Portuguese companies to **adapt** through the difficulties.” (Evidence on the CS: p. 7, lines: 15-17).

“The ones that fail to **adapt** to the environment, closed. The ones that survived, most of them, small or medium sized, are thriving” (Evidence on the CS: p. 7, lines: 17-18).

Despite DC theory is actually the main theory revolving the case, there are also some references that corroborate the other theories mentioned above. In the next questions, there are some examples of such.

***Having in mind the I/O theory, is there any part of the case study that supports this theory? Justify.***

I/O theory states that the performance of the firm depends on industry attractiveness, higher attractiveness means more opportunities and less threats.

Positioning is used as an explanation to dissimilar performances of different firms, in a given industry. The positioning can be distinguished in two different ways, it can be achieved through cost leadership or with a differentiation strategy. The cost leadership is based on cost advantage, which means by being able to capture advantage of the scale economies to produce larger quantities at a low price, while differentiation strategy is done by achieving a perceived uniqueness of the product that is being sold, such as by acting in a higher or premium segment with higher prices.

A company must analyze the external environment and understand what industries are more attractive, to only after, delineate what is going to be its positioning. Then it looks internally and externally for the assets and skills it needs, and only after, implement its strategy to capture the highest value.

In this case study, as mentioned in the previous answer, there are some evidences that support the I/O theory. Such as “All what was going on the industry, was having major impact on the way business was done.” (Evidence on the CS: p. 9, lines: 23-24). This phrase completely supports this theory, since it says that what happened to the industry happened to the firms.

***Analyze the option the company made, considering the dynamic capabilities approach.***

The dynamic capabilities theory states that a company has DC when it is able to sense threats and opportunities in the environment and adapt to those conditions in a timely manner, by ensuring that the decisions made are market-oriented. And, in order to make those adaptations, the resource-base of the firm must be altered.

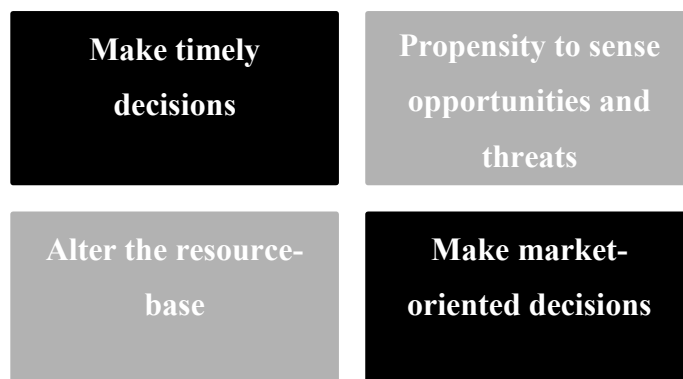
When facing an exogenous shock, a company must adapt in order to survive. It can be made by changing its market choices, or by changing its market choices and its resource base, depending on the shifts felt on the external environment.

In order to easily answer this question, one can, first analyze what type of external shift was felt in the industry and what changes the company needed in order to survive. Examples of market choices are customers, businesses, geographic markets and products. While the resource base is all the resources and capabilities the firm has or is in need to acquire to counterbalance the new challenges.

In the situation presented on the case study, there was a series of exogenous shocks that made a shift on the way Portuguese companies operated in the textile industry (question 3). Particularly in case of Valérius there was a need to change its market choices, since continuing to only serve the high premium market was not a choice, and it also needed to look for new geographic markets. In terms of the R&C, there was also a need to change some and acquire new ones, such as the internal organization of its teams and on production capacity.

“A dynamic capability is 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.” (Barreto, 2010).

In a way of simplifying this answer we can divide the DC theory according to four dimensions:



When looking at the situation the firm had to cross after losing its major client in 2009, one can analyze their decisions based on these 4 pillars, defining it as high or low, to better understand if the firm actually showed DC during this process.

Ability to sense threats and opportunities - **High level**

In the example Valérius had a high level of potential to solve problems, because they did sense the threat of losing more clients and not having enough liquidity to satisfy the ongoing orders and future orders. They also understood they couldn't compete with the low production costs of the Asian countries and they waged on service and on client proximity.

(Evidence on the CS: p. 11, lines: 5-8, 21-22)

Ability to make timely decisions - **High level**

They clearly showed a high level in terms of timely decisions since they act really fast in order to adapt to the new reality. They immediately reconfigured the way the company was structured in terms of their internal teams, they started looking for new clients and targeted the low-cost segment in order to meet the production capacity, so they won't stop the business.

(Evidence on the CS: p. 11, lines: 7-8).

Ability to alter the resource-base - **High level**

They knew they had some good resources and capabilities, such as the know-how, production capacity in terms of physical assets and also human resources. They brought the discipline and planning from the automobile industry, they changed their internal teams in order to not be surprised again, and they invested R&D in order to produce faster and better, so they could compete with the other countries.

(Evidence on the CS: p. 11, lines: 9-10; p.12 lines: 1-4).

Ability to make market-oriented decisions- **High level**

In terms of market-oriented decisions, Valérius didn't ignore where the market was going, they stood on potential clients' doors to listen to their needs, they learn about their actual clients and they went through the entire process with them, they studied the client and treated them as a partner, till the time where they had the ability to predict and even anticipate what the client wanted, so they could propose to them some solutions even before the problems arise.

(Evidence on the CS: p. 12, lines: 5-12).

Summarizing, the company showed a high level in all dimensions, demonstrating that it indeed showed DC when facing those exogenous shocks.

## V. CONCLUSION

The evolution of the Portuguese T&CI, over last years, registered some turbulence, which offered significant challenges to the companies operating in this industry. A series of exogenous shocks were felt, such as the economic crisis of 2008, the political changes regarding quota abolition on quantities on Asian products and the EU enlargement to Eastern countries and all the technological advancements regarding fast fashion and sustainability concerns. With these series of events, more than half of the companies shut down their business and only a few were able to place strategies that made them survive and even thrive in such an environment.

In this dissertation, a case study was proposed in order to evaluate how Valérius was able to figure in the group of the companies that were able to survive and, in this particular case, to project a growth trajectory over the years. It shows how the company was able to show dynamic capabilities when facing a difficult situation with the loss of its major client. With all those situations in place, it is possible to apply a series of theoretical frameworks to the real-life situation presented, making it more interesting for students to learn theoretical concepts and straightforward for teachers to explain.

In a future research it would be interesting to analyze how the company deals with the future challenges posed by the industry, especially in terms of future technologic developments. To analyze the efforts of the company in terms of diversification to technical textiles and how it will continue to respond to such evolution. Additionally, how “360 Project” is implemented and future exploration of the impact it has on the company.



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