



MSC IN BUSINESS AND ADMINISTRATION

WHAT IS THE ROLE OF PERSEVERANCE IN THE DEVELOPMENT OF
DYNAMIC CAPABILITIES?
ABREUS Case study



JOÃO MIGUEL VIEIRA ILDEFONSO

Supervisor:

Prof. Dr. Nuno Cardeal

Dissertation submitted in partial fulfillment of the requirements for the degree of MSc in Business
Administration at Católica Lisbon – School of Business and Economics

January, 2012

ABSTRACT

The research problem involved in this dissertation relates to the role of perseverance in the development of dynamic capabilities. The issue considers the importance of top management's persistence and resilience in creating and maintaining competitive advantages over time.

Beforehand it is addressed how companies can develop the capacity to restructure, adapt and create a new resource base needed to guarantee a sustainable competitive advantage as the business landscape evolves. Dynamic capabilities' theory is explored to illustrate how this capacity can be attained and developed considering the specific case of ABREUS.

The research problem in this project is associated to how a company present in a moderate industry that has suffered a radical change, represented by a new market and client profile, was able to develop the necessary capabilities in order to yield from a competitive advantage position.

After identifying the capabilities that have enabled the company this advantage position recent dynamic capabilities' literature was considered to explain how and in what stage the manager's perseverance was important in its creation. The role of the leader in delineating the firm's strategy and the new business model, recognizing both the internal and market opportunities, but more specifically how he was able to address challenges and face clear impediments while pursuing his vision, is discussed.

TABLE OF CONTENTS

ABSTRACT	2
TABLE OF CONTENTS	3
ACKNOWLEDGEMENTS	5
LIST OF ABBREVIATIONS	6
1. INTRODUCTION	7
2. LITERATURE REVIEW	8
2.1. COMPETITIVE ADVANTAGE	8
2.2. DYNAMIC CAPABILITIES	9
2.2.2. DC DEFINITION	10
2.2.3. MICROFOUNDATIONS OF DC	11
2.2.4. DC'S ENABLERS AND INHIBITORS	12
2.2.4. DC VS PERFORMANCE	15
2.2.5. HIGHLIGHTS	16
2.3 PERSEVERANCE	17
THE LEADER'S ROLE	18
2.3.1. SUMMARY	20
3. METHODOLOGY	22
THE CASE	22
UNITS OF ANALYSIS	22
DATA SOURCE	23
DATA ANALYSIS PROCESS	24
4.1 PORTUGUESE SHOE INDUSTRY	25
THE NUMBERS	26
4.2 COMPANY'S DESCRIPTION	28
4.2.1 HISTORICAL BACKGROUND	28
FROM 1995 TO 2000	28
SPECIALIZATION	29
QUALITY	30
2000-2006	30
OUTSOURCING	30
CHANGING BUSINESS LANDSCAPE	31
2006-2010	31
GOLDMUD	31
CHANGING CULTURE	32
4.2.2. MAIN ECONOMIC AND FINANCIAL INDICATORS	33
4.3 COMPETITIVE ADVANTAGE	35
4.3.1 CAPABILITIES	36

GOLDMUD	36
QUALITY	37
FLEXIBILITY	38
4.3.1. OTHER FACTORS	38
4.4. SUMMARY	39
5. DISCUSSION	40
5.1. TYPES OF PERSEVERANCE	40
5.2. MAIN OBSTACLES	41
PARTNERS	41
EMPLOYEES	42
SUPPLIERS	43
EXTERNAL ENVIRONMENT	43
5.3. IMPORTANCE OF PERSEVERANCE IN DC DEVELOPMENT	44
SENSING	45
SEIZING	45
MANAGING	46
5.4 SUMMARY	46
6. CONCLUSION	48
7. REFERENCES	50
8. APPENDICES	53
APPENDIX 1 – INTERVIEW GUIDE	53
APPENDIX 2 – PORTUGUESE FOOTWEAR INDUSTRY GENERAL DATA 2010	54
APPENDIX 3 – COMPANY DATA	55

ACKNOWLEDGEMENTS

This thesis is dedicated to my family, especially my mother Maria Manuel Vieira and my father João Ildefonso that have allowed me the opportunity to study in one of the country's best business schools, which has contributed largely to what I am today.

I would like to express my gratitude to Prof. Nuno Cardeal for the availability to monitor the project progress, material support and constructive advice, which contributed to the improvement of outcome.

I deeply wish to thank Miguel Abreu for his interest and availability, providing the necessary conditions, case study information, as well as, his own contribution through the arranged visit and meetings at the headquarters.

I would also like to thank Mr. António Abreu, Mr. César Baptista, Mr. Paulo Pereira for their availability and time spent with the interviews and Mrs. Vânia Cardoso for for all the information and data provided.

LIST OF ABBREVIATIONS

APICCAPS – Associação Portuguesa dos Industriais de Calçado

CA – Competitive Advantage

CTCP – Centro Tecnológico do Calçado de Portugal

DC – Dynamic Capabilities

GDS – International Footwear Exhibition of Dusseldorf

MOCAP – Mostra de Calçado Português

MICAM – International Footwear Exhibition of Milan

NPD – New Product Development

VRIO – Value; Rare; Imperfectly Imitable; Organization

1. INTRODUCTION

The research problem involved in this dissertation relates to the role of perseverance in the development of dynamic capabilities. The issue considers the importance of top management's persistence and resilience in creating and maintaining competitive advantages over time.

The dissertation is divided into six main chapters. The literature review that follows this chapter focuses on the DC and CA theories. It considers the theoretical basis for this assignment evidencing the foundations of DC theory, its sources of disagreement and commonalities. It introduces an important concept related to an evolving environment and context, which press firms into an adaptation and restructuring process required to survive. The topic of perseverance is focused on a second stage considering a theoretical introduction to how the pursuit of different strategies aimed at taking advantage of new market opportunities introduced by business context change demand persistence in order to succeed.

The following chapter describes and justifies the methodology used, explaining how the data about the company and industry was gathered and treated and the frameworks considered. In the fourth chapter the case study is analyzed, where the industry's and the company's most relevant data is highlighted in order to explain the creation and development of the DC.

The fifth chapter introduces the role of the leader throughout the change process, particularly focusing on his commitment to develop the new business model. The main obstacles he found in the different stages of the DC development (Teece, 2007) were identified.

The sixth chapter points out the main conclusions of the research, as well as its empirical contribution and main limitations. Given the conclusions, a research suggestion is also proposed.

2. LITERATURE REVIEW

This chapter is split in two main sections and concepts. In an attempt to provide a theoretical basis for a further strategic analysis it is crucial to properly identify and understand the DC theory, which represents one of the central subjects of study. The main purpose of the first section of this chapter is to do so and to present this theory's contribution and relevance to the strategic success of a firm, while trying to perceive how a sustainable competitive advantage can be achieved by restructuring, adapting and creating a new resource base needed to face a continuous competitive context change.

In the second part of the review, the concept of Perseverance is explained and its importance highlighted, particularly when considering that in order to pursue the DC's objectives significant financial and organizational investment have to be made and their impacts are at times difficult to evaluate as they imply long-term strategic goals and commitments.

2.1. COMPETITIVE ADVANTAGE

The source of advantage can be vaguely attributed to market power and translated in terms of market share (depends on industry definition – ambiguous) brand strength, reputation or even the relationship with all market intervenients, namely customers, suppliers and employees. But indeed it is argued to come from the ability to "*systematically creating above average returns*" (Schoemaker, 1990: 1179), relying on an accurate and timely reconfiguration of resources. Being able to create a sustainable positive difference between the consumer's perceived benefit (willingness to pay) and the production and economic cost of the product or service, by presenting higher valued outputs than competitors, particularly through differentiation (raising willingness to pay) or efficiency improvements (decreasing costs) is the ultimate objective. The imperatives behind this advantage are represented by the way the company manages its capital resources (organizational, human and physical resources) and coordinates the firm's value system (Peteraf and Barney, 2003).

Today's changing competitive landscape, with the opening of globalized trade where the differentiation based on economies of scale and scope is no longer a requisite and can be supplanted by the outsourcing ease, demands a new source of competitive advantage. Teece (2011) introduces the importance of the generation, ownership and management of difficult-to-replicate intangible assets as a sustained successful position. Technology and business process know-how, customer and business relationships, reputation, organizational culture and values, as well as, intellectual property are some of the main classes of intangible assets. The "*astute creation, combination, transfer, accumulation and protection of intangible assets*" (Teece, 2011)¹, which translates in identifying and orchestrating new asset combinations, while insuring a strong intellectual property position in critical technologies and developing high-performance business models, represents today one important source of advantage for the enterprise. The value creation behind intangible assets lies on the difficulty the inherent capabilities have in being traded as their underlying value often derives from the presence of complementary assets.

2.2. DYNAMIC CAPABILITIES

The main purpose of the DC theory is to explain how firms can sustain a competitive advantage by responding to and creating environmental change (Teece, 2007). It addresses the domains of strategy definition as the development and deployment of capabilities considers managerial decision-making process, organizational routines, organizational learning and environmental analysis (Helfat, Finkelstein, Mitchell and Peteraf, 2007; Teece, 2007; Zollo and Winter, 2002).

The DC theory as a form of potential source of sustainable competitive advantage was firstly introduced and defended by Teece, Pisano and Shuen in 1997, where they stressed the need to build, integrate and reconfigure internal firm-specific competences (capabilities) to address rapidly changing environments and fast moving markets (globalization). The constantly changing business landscape demands a recurring set of dynamic processes, managerial and organizational routines that can alter "*current positions*" (Helfat and Peteraf, 2009, 97), which relate to current endowments of technology, customer bases and suppliers, necessary to face external

¹ The article is not numbered by page, therefore it was not possible to accurately provide the reference of the transcription

competitiveness and address upcoming challenges, while creating “*new positions*” (Helfat and Peteraf, 2009, 97) and paths (available strategic alternatives).

DC’s theory doesn’t only aim to defend the firm’s market position, resources and rents against competitors rather it seeks to create a new resource base opening new product market possibilities enabled by internal and external context changes, which will lead to a new stream of income and consequently performance improvements (Teece et al, 1997; Zott, 2003).

Eisenhardt and Martin (2000) argue that these DC are represented by a set of specific and identifiable organizational processes, such as alliances (potential synergies), strategic decision-making and product development, which by means of resource manipulation are able to implement value creating strategies for the firm.

2.2.2. DC DEFINITION

“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).

Barreto’s (2010) definition comes as an attempt to bring all aspects together. A recurring (systematic) set of problem solving processes resolving both the “*luck*” question brought by Priem and Butler (2001), as well as, the ad-hoc problem solving interrogation raised by Winter (2003) where he considers that the solution of a particular situation which doesn’t present itself as part of a routine cannot be considered DC. Moreover it comes from the ability to sense opportunities and threats, seizing them as considered by Teece (2007), considering timely and market oriented decisions based on customer needs, while managing and adapting a new resource base (introducing the importance of the resource base configuration defended by Eisenhardt and Martin (2000), Zahra, Sapienza and Davidson, (2006) and Zott (2003))

2.2.3. MICROFOUNDATIONS OF DC

Teece's 2007 DC framework seeks to present an explanation for the "*sources of enterprise-level competitive advantage over time, and provide guidance to managers for avoiding the zero profit condition that results when homogeneous firms compete in perfectly competitive markets*" (Teece, 2007, 1320), calling it the foundations of DC and business performance. Opportunity sensing and seizing, as well as, managing business enterprises tangible and intangible assets, come as the three important stages for the deployment of a set of difficult-to-replicate enterprise capabilities (processes, activities and competences) required to adapt to changing customer needs, technological innovation and increasing competitiveness.

"It is about reinventing business processes and building entirely new markets that meet untapped customer demand." Sam Pamisano, CEO of IBM (Teece, 2007, 1320)

This framework considers three core aspects in the development of DC:

(1) Sensing – the identification and assessment of environmental change is inherently related to a set of entrepreneurial capabilities that involve exploring new opportunities and scanning other elements of the business ecosystem. It requires top management to build and test hypothesis that will enable the recognition of new, unrealized sources of demand and will allow the successful exploitation of potential market opportunities (Teece, 2011). Being aware of the organization's internal requirements and deficiencies, as well as, being able to realize the major trends within the industry in terms consumers' trends or competition is of crucial importance.

(2) Seizing – Relates to the capacity of accurately mobilizing resources to be able to address an opportunity and capture value for the firm (Teece, 2011). It involves designing new business models but also being able to access the necessary capital and human resources. In the decision-making process, timing and knowledge used, will determine the ability of the firm to identify possible intangible gains, which may lead to significant performance boosts in a later stage. Using DC sooner, more astutely, being the first one to move and adopt a determinate innovation or process may represent an important source of advantage, crucial in high velocity markets where

according to Eisenhardt and Martin (2000) there can only be temporary sources of advantage.

(3) Managing/Transforming – Accurately managing change is one of the most difficult tasks to be developed in this process as managers must cope with external competition but also with the internal challenges presented by the DC's innovative processes and experimental character coming from new and fast knowledge assimilation required, which in turn may evidence unpredictable results. DC's effective results vary with market dynamism (Eisenhardt and Martin 2000). Strong internal (employees) and external relationships (suppliers, distributors and customers) become essential for the successful management of change. Transforming capabilities are particularly required when radical environmental changes need to be addressed or when there is the need to soften some core rigidities coming from standardized operating procedures (Teece, 2007).

2.2.4. DC'S ENABLERS AND INHIBITORS

INTERNAL SOURCES

Entrepreneurial character

"... they (entrepreneurs) play an essential role in adapting the organization by collectively sensing, seizing, and reconfiguring resources and thereby capturing product-market opportunities that emerge." (Martin, 2011, 118)

Changing environments requiring the development of capabilities that will enable the company to adapt to a new competitive landscape, while seeking new sources of income demand a crucial entrepreneurial role in discovering and exploiting opportunities (Teece, 2007).

Managers key role in scanning the organizational context, interpreting the environment and understanding organizational needs, represented by the managerial insight and vision, will determine the ability the organization has to insure accurate deployment of DC. Entrepreneurial skills of managers are more commonly referred by scholars as crucial in terms of not only sensing and understanding opportunities but also finding new and better ways of putting things together (Ambrosini and

Bowman, 2009; Barney, 2001; Teece, 2007). Teece (2007) uses the term “*entrepreneurial capitalism*” attributing the responsibility to managers of recognizing problems and trends, directing resources and reshaping organizational structures to address opportunities considering customers’ needs. Entrepreneurship skills are referred to as a critical input to market creating processes (Pitelis and Teece, 2010). Alternative resource exploitation in an attempt to develop strategic alternatives is a creative and entrepreneurial process (Barney, 2001). Managers without entrepreneurial skills are limited by the knowledge of the firm’s daily operational routines (practical execution) lacking the necessary requirements to observe and seize market opportunities and adopt creative processes that may insure future performance gains. Without these skills managers may represent a constrain source to the growth of the firm (Lockett and Thompson, 2004²).

“Entrepreneurial managers and leaders building and deploying intangible assets are critical success factors. Capturing value is never certain, but it can be managed.” (Teece, 2011)³

Decentralization

Decentralization defended by Teece (2007) as a necessary policy in achieving performance improvements becomes clearer with firms’ internationalization and entry in different market contexts. Without a high degree of decentralization the ability for a firm to realize and properly understand opportunities and threats while being able to continuously respond to customer needs and competitive demands in all its competitive environments decreases significantly. More autonomy should be given to departments in different market contexts even if it compromises the company’s integration ability, as the gains the firm is able to realize are far greater (Teece, 2007). Some of these benefits may consist in customer and market trends’ responsiveness insured by a more flexible environment prone to an easier diffusion of innovative processes. Plus it facilitates the decision making process and motivates employees by attributing a higher degree of responsibility.

² in Ambrosini and Bowman, 2009, 32

³ The article is not numbered by page, therefore it was not possible to accurately provide the reference of the transcription

Decision making

The decision-making process involves one of the most important roles of managers. It is highlighted when considering DC's theory because the lack of immediate performance results often makes managers more prone to choose less risky and apparently more efficient procedure (i.e. ad hoc problem solving), which does not involve as much capital spending. Since DC are a continuous process, there is high cost adjacent to DC development, namely in the form of long-term commitments and internal procedure change, which require organizational and cultural flexibility. Investment choice is often biased due to excessive risk aversion and the impossibility of determining future impacts coming from potential intangible gains (Teece, 2007). Firms often choose the structure and the set of procedures in place, which present a constant income stream over change and a potential new source of advantage. It is also considered that DC *“are developed in order to realize strategic advantages, but their development does not ensure organizational success”* (Zahra et al. 2006, 926).

On the other hand, it is necessary for leaders to realize the potential impact that environmental change may bring to the firm's current advantage and rents if they do not realize the opportunity. The term creative destruction sometimes scares managers, as they need to destroy existing resources that used to bring them a source of advantage in order to build new ones. This is a costly process and commonly represented by the introduction of a new product, where its market potential is difficult to evaluate and often requires a total structure change from suppliers to distribution going through production and even sales (i.e. transition of camera from film to digital in which case change was radical but necessary to survive).

EXTERNAL SOURCES

The development and success of DC depend on external conditions. An accurate analysis of the surrounding environment along with the ability not only to change the resource base but doing it sooner than competitors will represent a potential source for a sustainable CA. Environment's complexity and stability/uncertainty (propensity to change) will directly affect the DC deployment necessities and impacts. Ambrosini and Bowman (2009) stress the different need for change among different industries,

while Eisenhardt and Martin (2000) go further and say that the predictability/uncertainty patterns of DC vary with market dynamism.

Eisenhardt and Martin (2000) make a clear distinction between two types of dynamic markets, moderately dynamic and high velocity markets. In moderately dynamic markets change occurs frequently but along roughly predictable and linear paths and the capabilities developed focus on routines in form of a detailed, analytical and stable processes. The second market type is, characterized by the necessary development of simple, experimental and unstable processes that rely on quickly created knowledge, which demands a fast adaptation period that may in turn produce unpredictable outcomes.

Different market dynamism can evidence different predictability patterns of DC, as the outcome may be unrealized particularly in high velocity markets, where the emergence of a sustainable source of advantage (i.e. pharmaceutical industry – advantage comes from new products) rarely occurs. To counteract this effect, managers need to keep creating ways of out-maneuvering competitors and build temporary advantages, in order to achieve superior performance (Eisenhardt and Martin, 2000). As environmental change increases so should the flexibility of the organization.

“... strategy in high-velocity markets is about creating a series of unpredictable advantages through timing and loosely structured organization. The strategic logic is opportunity and the imperative is when, where, and how often to change.”
(Eisenhardt and Martin, 2000, 1118)

2.2.4. DC VS PERFORMANCE

The relation between DC and firm performance is probably the main source of disagreement among theorists. While some believe that there is a direct link and that DC will insure a sustainable competitive advantage in dynamic markets (Teece et al., 1997; Zollo and Winter 2002), hereby enabling better performance levels, others highlight the importance of DC as an enabler of change in the resource base but consider in fact that the advantage and performance improvements lie on the accurate bundle of resources not on the capabilities alone. They are necessary but not a

sufficient condition to guarantee a long term CA (Eisenhardt and Martin, 2000; Zahra et al., 2006; Zott 2003). Helfat, et al. (2007), still go further and separate completely the notion of DC and performance. They propose two conceptual measures of performance for DC.

1 – Technical fitness, which denotes “*how effectively a capability performs its intended function when normalized (divided) by its cost*” (Helfat et al., 2007, 7).

2 – Evolutionary fitness, which considers “*how well a dynamic capability enables an organization to make a living by creating, extending, or modifying its resource base*”(Helfat et al., 2007, 7).

They go on arguing that even if the DC has high technical fitness it may not lead to high performance in terms of evolutionary fitness. In other words, even if the DC performs the intended function it does not mean that its application and change in the organization’s resource base will lead to performance improvements, as it may not create VRIO resources, which would allow an advantage over competitors. Rather, its results could simply guarantee competitive parity or even present an irrelevant solution for the market (performance improvements are not guaranteed through the usage of DC).

2.2.5. HIGHLIGHTS

It is important to realize that the investment on DC is costly and may not guarantee performance improvements, resulting at times in a simple competitive parity or not even presenting any relevant advantage for the market, since the outcome of its deployment is difficult to evaluate (Ambrosini and Bowman, 2009; Eisenhardt and Martin, 2000). However, the failure to address environmental changes can negatively affect firm’s performance. Today’s hyper competitive markets present more challenges in development of advantages, even once successful firms with a solid source of advantage fail, as they are not able to address change.

DC are considered very important in enabling and managing new resource base configurations, which help to avoid core rigidities that prevent innovation and growth possibilities. The development of this capacity considers three crucial phases: sensing, seizing and managing opportunities (Teece, 2007; Eisenhardt and Martin, 2000;

Barreto, 2010). Scholars have argued that the capacity (Helfat, et al., 2007) or routines (Eisenhardt and Martin, 2000) to alter resource base are procedures that have commonalities across firms particularly in “*best practice*” processes and are built rather than bought. Its development and deployment depend on organizational processes that are shaped by the firm’s culture and assets. The “*routines to learn routines*”, as Eisenhardt and Martin (2000, 1107) call them are crucial in allowing an accurate and timely response to internal and external changes. In the end, enterprise success relies on the ability the firm has to take advantage of opportunities manage and reconfigure resources effectively, combine an efficient technology and knowledge transfer within the organization and protect its innovative capability accordingly (Ambrosini and Bowman, 2009; Teece, 2007).

2.3 PERSEVERANCE

Like Eisenberger in 1992⁴, Markman, Baron and Balkin (2005) also define perseverance as “... *one’s tendency to persist and endure in the face of adversity.*” Perseverance influences the level of effort and commitment individuals evidence in the pursuit of their goals and is determined by the length of their resilience to change path even when pressed with setbacks and repeated failures (Eisenberger and Leonard, 1980⁵). Basically it covers the management of strategic divergences and resistance to change. In other words, it relates to how our perceptions, beliefs, thoughts and ultimately actions change in the light of new information (Markman et al., 2005).

Perseverant people are those able to find ways to go around major constraints when put to the test, by intensifying their effort or testing new actions, whereas less resilient people are easily discouraged by unexpected challenges and quickly give up (Eisenberger, Kuhlman and Cotterell 1992⁶, Markman et al., 2005).

⁴ in Markman et al., 2005, 3

⁵ in Markman et al., 2005, 3

⁶ in Markman et al., 2005, 3

THE LEADER'S ROLE

Dynamic environments are characterized by destabilizing forces such as technical innovation and globalized competition, which give way to new opportunities and threats. Leaders need to effectively manage their organization and strategy accordingly, in order to realize and take advantage of the new market possibilities (Eisenhardt, Furr and Bingham, 2010). In order to respond to opportunities provided by these changes in the market context managers must be able to follow a new path, develop new capabilities and reconfigure its resource base (Eisenhardt and Martin, 2000; Helfat and Peteraf, 2009; Teece et al. 1997).

The new model of value proposition may consider obstacles such as financial constraints, high investment requirement, competence destruction and strong resistance to change coming from embedded rigid resources and routines that may question the legitimacy of change (Gilbert, 2006; Keil, 2004; Pablo, Reay, Dewald and Casebeer, 2007; Rosenbloom, 2000). New commitments may be required, as well as, terminating long-standing ones, which may involve giving up specific resources and relationships since the impact in the firm structure may demand changes in its value chain (Rosenbloom, 2000).

In the context of moderate markets, where change is particularly characterized by incremental improvements rather than radical modifications, firms tend to develop core rigidities given by their steady position and irreversible resource commitments (i.e. machines, suppliers...). Opportunity seizing may demand a strategic renewal while there is residual fit, meaning that the existing capabilities and resources are still able to provide a stream of income, in which case is tested top management's capability of enduring their position (Gilbert, 2006). It is easier to address and understand the need for change when there is a generally recognized threat and the existing capabilities no longer provide positive returns, on the other hand the room for experimentation is also narrower (Gilbert, 2005).

Rosenbloom (2000) defends the leader's crucial importance in the development and creation of essential capabilities through means of breaking commitments and taking risks. The way top management is able to explain and defend the nature of change, establishing measurable goals can come as a source of motivation and trust building

among the organization's stakeholders. How they are able to involve workers and delegate responsibility will trigger the level of effort and commitment the firm's members are willing to provide, which will have a direct impact on the internal flow of change (Pablo et al., 2007; Rosenbloom, 2000).

Eisenhard et al., (2010) highlight the conflict between flexibility and efficiency when addressing the microfoundations of performance in dynamic environments. They argue that organizations need to be flexible enough to be able to adjust and anticipate situations. On the other hand, efficiency is also required in order to create structure, develop a strategy and a path, which may constraint the ability of the firm to “*create and recombine resources in novel ways*” (Eisenhard et al., 2010, 1263) demanding a strong sense of persistence to do so. The role of leaders becomes increasingly important in managing this tension between flexibility and efficiency.

Particularly in the entrepreneurial context, specifically related to new venture formation, the extent to which individuals are able to follow their conviction, in spite of the forthcoming obstacles, challenges or adversities may be a determinant success factor. Their perseverance may come as an enhancer of the business model implementation namely in the early stages of the business growth where its potential is yet to be realized (Stoltz, 1997⁷).

Markman et al. (2005) evidence important conclusions in their study shown by different results in terms of the perseverance level between entrepreneurs and all the other individuals. Perseverance encourages entrepreneurs to strongly support and defend their position while finding ways to cope with new challenges, as the survival and longevity of their venture hinge on the determination to convert their idea or technology into a business. According to the article tenacity and endurance characteristics are more evident in entrepreneurs, which they argue to be related to their working context represented by long hours, heavy work and financial risk. They go on separating perseverance in two different types:

(1) Perceived control over adversity – relates to the control people have over the outcome, the ability they possess to understand and be prepared for adverse circumstances. This is where the incentive to act comes from depending on the

⁷ in Markman et al., 2005, 3

certainty and risk of unforeseen events taking place. What individuals do, their motivation and commitment to act in the face of clear impediments (Stoltz, 1997⁸). Entrepreneurs have the major challenge of finding a business application based on technological advancements or hypothetical ideas. The goal is to create a market that has not been already realized through rent-yielding products or services. This challenge requires additional tenacity than most people, therefore a higher sense of control over adversity.

(2) Perceived responsibility for adversity's outcomes – considers the extent to which someone is held accountable for the results that come from adverse circumstances, which in turn triggers the responsibility to improve the situation (Stoltz, 1997⁹). This sentiment of accountability mobilizes individuals to commit into actions and rectify unfavorable outcomes. The uncertain nature of venture creation is surrounded by all kinds of hypothetical setbacks, although entrepreneurs are held responsible for the outcome regardless of the source of failure. There is a higher sense of responsibility of those who have set the pieces into motion, raised the funds, created and led the project. Having that said, it is only natural that entrepreneurs hold themselves accountable in face of adversity in spite of its origin.

2.3.1. SUMMARY

The development and deployment of DC demands perseverance, not only due to the high amount of time and effort required from top management (Gilbert, 2005; Keil, 2004; Pablo et al., 2007; Teece, 2007) but also because these organizational responses to change may trigger an immediate performance decline and destruction of existing core capabilities in order to benefit from a future market position.

DC development carries a significant cost particularly in terms of organizational and cultural re-arrangement demanded by the internal procedure change, required to guarantee the flexibility the firm needs to adapt to changing resources and environments. The overall result of such changes is argued to be ambiguous (Helfat et al., 2007). The long-term commitments it implicates and the potential yet unrealized

⁸ in Markman et al., 2005, 3

⁹ in Markman et al., 2005, 4

impact in the creation of value considering intangible assets, which may not present immediate results, demand a high level of resilience and tenacity (Teece, 2007). It is crucial for the successful deployment of these capabilities that managers and entrepreneurs rely on their ability to address unexpected outcomes and find ways to go around major impediments, which at first were not accounted for. Their capacity of breaking commitments, taking risks but also managing and adapting the organization will determine the firm's success in the change process. Sometimes the inherent persistence may require significant compromises, particularly when it requires changing completely the resource base where managers are demanded to give up present income streams in order to guarantee potential future ones. Such tenacity may even present them with failure caused by major environmental and context changes (i.e. revolutionary technological advancement), considering significant financial losses and personal costs in the form of regrets and disappointment (Markman et al., 2005). But in the end perseverance is a central topic in diverse contexts since it is clearly related to effort and commitment individuals are able to apply in the course of their actions.

3. METHODOLOGY

THE CASE

The aim of this research is to provide empirical evidence and support of the DC theory, where the role of perseverance in the success of DC development and deployment would be explored.

UNITS OF ANALYSIS

The choice of industry and company were pre-determined by the teacher and a case study previously developed by professor Cardeal, which focused on the subject in hand, as well as, the targeted firm was also provided. Secondary data

	Case Study	New Data
Interviews (I)	12	4
Media Articles (MA)	20	8
Company Data (CD)	41	6
Direct Observations (DO)	-	1

Table 3.1 Data gathered

Source: Case study and author

was built from the analysis of previous interviews, archives, press releases and direct observations evidenced in the case study. Considerations were taken from the already produced material and further data collection was developed through series of document updates, new research and interviews. The information gathered was then linked to the pre-existing one, which enabled the identification of the main sources of value for the firm, with particular focus on the role of perseverance in the firm's change process.

The study method developed consisted in an initial broader research and analysis of the Portuguese shoe industry, where the company's environment evolution and trends was evidenced in an attempt to understand the important strategic choices undertaken by the firm. The analysis was later on brought to an inner scope where Abreus was scrutinized and the sources of competitive advantage highlighted. .

Specific attention was attributed to the evolution of the core competences and capabilities, as the competitive landscape evolved and previous strategic choices, procedures and commitments became obsolete. The role of the leader in the change process was considered in an attempt to verify the importance of persistence and resilience during the process of change.

DATA SOURCE

Interviews

Previous interviews helped understand the organizational environment and the chronological evolution of change. They were important in the determination of the capability that sustains the company’s competitive advantage and how the company’s competencies evolved through time.

The secondary batch of interviews focused on the role of the leader Miguel Abreu in the change management process. More specifically, the difficulties and barriers he found in the persecution of his ideals and vision for the firm.

Being present in a moderate market where radical changes are not common, it was important to realize that this new strategy and restructuring process that

	Function	Matters focused
Antônio Abreu	Partner	Strategic process; Barriers to change
Paulo Pereira	Cutting department	Internal changes
César Baptista	Planning Department	Internal changes; Challenges presented
Miguel Abreu	Strategic leader	Challenges and Barriers found

Table 3.2 The interviewees: functions inside the company and matters discussed

Source: Author

the organization went through affected not only its structure and processes but also the firm’s culture. To understand the impact and internal obstacles that emerged from these changes one of the partners was interviewed. The generational impediments that clashed with the new strategy were then focused on the interview with Miguel Abreu. To better realize how this process was carried, particularly how employees have adapted to the new requirements and functions but also how the change process was felt internally the perspective of two employees was considered.

Archives

The archives analyzed were basically of two sorts, media articles and company data, which related to all the numerical data provided by the company. These documents were important to build a strong source of primary information in order to prevent a biased approach coming from the information supplied in the interviews. It allowed the examination of the evolution of the company’s results through the change process, as well as, the media attention it has been targeted with.

Direct observation

Direct observation relates to specific situations observed in the course of the visit to the company. It is mostly considers the analysis and evidences of the working environment, the relationships between employees, basically the culture of the firm.

DATA ANALYSIS PROCESS

Building on the findings of the case study of Cardeal (2011) where the main strategic movements, the capacities and resources built able to generate a source of advantage for the firm are identified, a connection was established between the information gathered and the theoretical background considered in the literature review.

In order to be able to realize the degree of perseverance demanded in the context the company and leader were presented with, Markman's et al. (2005) research was considered.

To understand to which extent perseverance contributed to the creation and development of the DC, it was important to highlight the main sources of challenge, which tested the leader's determination. Four sources were identified: the partners, the employees, the suppliers and the external environment. In order to perceive how and in what stage the leader's perseverance was demanded to overcome these obstacles Teece's microfoundations of DC theory was considered. Even though this tool was developed for rapidly changing markets and not moderate ones such as the Portuguese shoe industry the appropriate adaptation was carried out in order to make the arguments and conclusions suitable for analysis.

A database was built to link the information, values and quotes to its origin. A coding system was developed, in order to facilitate this process, where the code is represented by the initial letter(s) of the word(s) followed by a number of the archive.

4. DATA ANALYSIS

4.1 PORTUGUESE SHOE INDUSTRY

From the beginning of 1970's Portugal has played a major role in the shoe industry. Since then, the industry was subjected to significant changes and the sources of advantage have evolved accordingly through time.

Throughout the 70's until the 90's the Portuguese competitive advantage was represented by the low labor costs practiced. Portuguese companies developed their competences in the production process where the manufacturing costs were more significant and could be diluted in huge batch sized orders, which enabled strong economies of scale and allowed enterprises to deliver very competitive prices internationally. The products developed were highly standardized, with few materials and colors and minor shape changes. The industry's propensity to change was moderate, where incremental process and technical improvements were more common. NPD and innovation strategies were rarely followed (APICCAPS b¹⁰, Cardeal, 2011).

By the mid 90's the barrier reduction to international trade opened the Asian markets to western companies and a substantial delocalization of production took place. Portuguese companies were no longer able to compete with the prices practiced by these countries and low manufacturing costs cease to be a source of advantage. The full integration of China in the World Trade Organization and the end of the last barriers to international trade required Portuguese firms to seek new sources of advantage (APICCAPS b, Cardeal, 2011).

On the other hand, customer trends begin to shift and shoes are no longer seen as a mere functional good, rather there is market for distinctive and different products. It becomes a fashion accessory where a greater benefit is observed and a higher price charge is allowed. These new tendencies lead to the need for development of different competencies in the industry. The large production series of standardized shoes give way to small series of distinctive and more demanding products in terms of both

¹⁰ APICAPPS, Monografia Estatística 2011

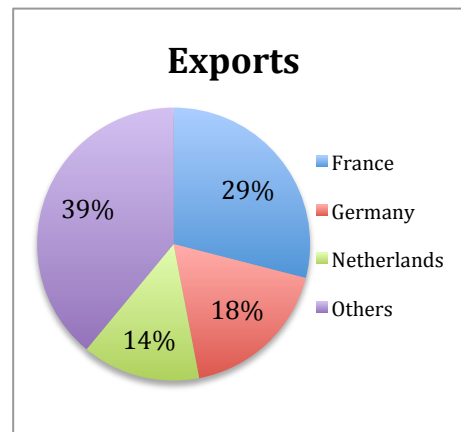
creativity and complexity, where delivery schedules become crucial, since the product has a smaller life cycle and is closely related to strict timeline (fashion). In this new industry Era flexibility, responsiveness, market knowledge, trend analysis and prediction, design and product commercialization have become determinant success factors (APICCAPS b, Cardeal, 2011, MA7).

THE NUMBERS

The Portuguese footwear industry is highly export-oriented and is currently the largest contributor to the external account. Since the beginning of the century the external market has been the destiny of most of the Portuguese footwear production represented by an average of 88,5% of total production. In 2010 94,1% of the footwear produced in Portugal was exported.

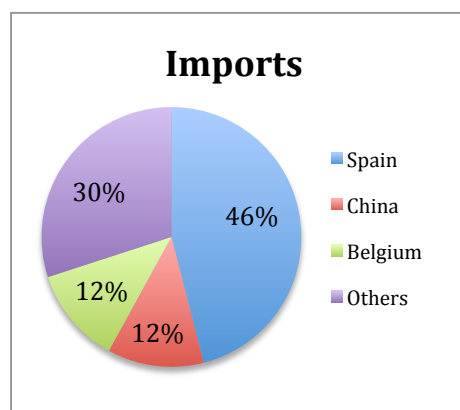
The European market is its main buyer accounting for 96% of the exports. France,

Germany, and the Netherlands represent the top 3 consumers of Portuguese pairs of shoes. Imports on the other hand come mostly from Spain, China and Belgium (APICCAPS a¹¹, APICCAPS b, APPENDIX 2).



Graph 4.1 Total Portuguese footwear exports 2010

Source: APICCAPS (a)



Graph 4.2 Total Portuguese footwear imports 2010

Source: APICCAPS (a)

The industry is predominantly characterized by family owned micro and small enterprises created to exploit the advantages coming from cheap labor. In order to survive they had to develop a whole new range of competencies and targeted a different market (APICCAPS b).

The new industry paradigm motivated Portuguese firms to deliberately seek the

¹¹ APICCAPS, World Footwear Yearbook 2011

Necessary restructuring, redirecting their strategy to higher value-added niches specializing in the production of leather footwear, leading Portugal to the 8th position in the world’s exporters ranking in this segment. In 2010 four out of every five pairs of shoes produced in Portugal used leather accounting for 85% of the industry’s sales volume. A reflection of this strategy is the trend of escalating price charged per pair of shoes that has reached a 70% growth over the past two decades, which evidences the appreciation the Portuguese shoe has achieved in terms of quality and distinctiveness (APPENDIX 2).

The national market on the other hand is characterized by the increasing need for low priced footwear made of materials other than leather, coming mostly from outside the country. The national consumption of footwear reached 60 million pairs in 2010 but was also associated the decreasing price per unit that got as little as 8,9 euros per pair on average (APICCAPS b, APPENDIX 2).

Industry Indicators 2010	
% of Production exported	94,1%
Average export price (in euros)	19
Average national price (in euros)	8,9
% of sales volume related to leather footwear	85%

Table 4.3 Main Industry Indicators 2010

Source: APPENDIX 2

As a result of the new competitive landscape productivity and employment indicators have both declined, particularly in the last 15 years. Smaller batches demand more complex constructions that increase the time and effort spent per pair of shoes. Also, the need for more specialized work and less mass production decrease the employment necessities of the industry (APICCAPS b, APPENDIX 2).

The industry is highly concentrated and is located in the north of Portugal. The municipality of Felgueiras alone employs one third of the footwear industry. Other 10% of the industry’s workforce is in the neighboring municipality of Guimarães. Santa Maria da Feira, São João da Madeira and Oliveira de Azeméis represent the other geographical cluster where the industry is present (APICCAPS a).

The two existing sectorial organizations are the CTCP, which represents the Portuguese Footwear Technological Center and the APICCAPS that stands for Portuguese Footwear Association. Together these organizations provide support in

terms of data analysis and disclosure, technology development and quality control. They also encourage companies in the participation of international events with the aim of empowering Portuguese companies with the necessary tools to keep innovating and reaching new markets. The reshaping of the national industry was largely supported by these organizations, which have helped considerably in terms of investigation and technological development as an attempt to increase the industry's competitiveness (MA 22).

An industry that was totally dependent on imported technology and design has now its own internationally recognized brands and exports technologically developed and innovative products. The impact in terms of the country's international image was quite significant (MA3, MA4, MA10, MA 25; MA 28).

4.2 COMPANY'S DESCRIPTION

4.2.1 HISTORICAL BACKGROUND

From the moment the company started operating there were three distinct time frames that need to be considered. The first time frame related to a period when the company takes advantage of the market knowledge and client profile the partners had been serving while still at CONTINENTAL, characterized by the mass production of standardized models with the development of a single construction.

The second time frame is considered between the years of 2000 and 2006, when ABREUS starts investing in new equipment that allows the development of new constructions and a better sample capacity. The business landscape starts changing and the commercial department takes its first steps considering a new business model, which relates to the commercialization of outsourced production.

Finally from 2006, with the creation of GOLDMUD, the firm targets a higher valued segment that allows the creation of a new source of advantage.

FROM 1995 TO 2000

Abreu and Abreu, Lda (ABREUS) was founded by two brothers António and Alberto Abreu in 1994 (I1). Before building the new company the two brothers used to work

for their father and uncle in a company called CONTINENTAL but disagreements between the two partners led the father and two brothers to leave the company (I2).

The two entrepreneurs decided to assemble a production unit in a building, which had belonged to CONTINENTAL and was left to their father in the settlement. The challenge was great for a number of reasons. The building was in really bad conditions “...*This here was a hideous shack. It had no doors or gates. We had several thousands of euros in supplied materials, which we had no way of paying...*” (I1), there was no workforce available and no equipment or money to afford it. Moreover, ABREUS had already assumed the responsibility to deliver to clients without even having started the activity “...*We still did not have anything, no employees no equipment and we had already twenty or thirty thousand pairs of shoes to make...*” (I1).

In less than two months and with little money to invest the two entrepreneurs managed to have the assembly line ready to start producing shoes. To make it possible it was necessary to improvise with loaned machinery or outdated equipment. It was also important the credit and trust they were able to guarantee from suppliers and banks (I1; I2).

SPECIALIZATION

At first the brothers decided to specialize in the mitt type of shoe¹² with high quality leather, as the equipment was cheaper and this was what the client at time was looking for (I4; I6). For years this was the only type of shoe they were able to produce “*They knew how to do everything. At least my husband and my brother-in-law did because at Continental they did everything. Back then companies would choose a technique. The client ordered X amount of mitt shoes. The equipment was a lot cheaper...*” (I1). Until the end of the 90’s KICKERS, was their main client (I1, I4, I9). There were two or three models produced for this company and each model’s life cycle would reach over 6 months. There was no need for major changes their work rested alone on replicating the model and developing a sequence of different sizes. It was the client that developed the shoe models and samples “*At first it was one client with 2 or 3 models and thousands of the same being produced everyday... There was*

¹² Type of assembly made out of leather which fits like a mitt commonly called mocassin

no need for the commercial department or modeling department or non of that... The client would bring a shoe from time to time... It was all about producing” (I1).

QUALITY

The previous experience and contacts at CONTINENTAL allowed ABREUS to receive the license from Simpatex for the production of their waterproof shoe that only a small number of producers fulfilled the requisites they demanded and were able to represent the brand *“We are proud to have been granted this water proof license ... We at Continental were doing it. These are very difficult and complex technologies...” (I2).* More than a resource that enabled the company to produce large quantities of waterproof shoes, this license allowed the firm to be seen as trustworthy and producer of high quality goods *“...it was important, because in order to be given the license a factory needs to be very good. The license is a welcome gift card. If a client sees that the factory has the license to produce Goratex or Simpatex it has to be really good. In the region we are 3 with the license... the others don’t even want it because it’s too difficult...” (I2).*

Five years after the beginning of the activity the main client KICKERS, suffered a reduction of sales dropping the level of orders significantly, which allowed partners to realize their income source was too dependent on a single client. This was the start of something new. The commercial department was taking its first steps by the hand of Miguel Abreu, son of one of the partners that had joined the company in 1997, and was commencing to shift the way things worked inside the enterprise (I1, I9).

2000-2006

OUTSOURCING

In the early 2000’s, with the growth of business and materials used, the company resorted to this alternative on a more regular basis, particularly in the cutting and specially the sewing processes of production, where currently lies the company’s bottleneck (I9; I15). It also enabled a new business model for the company, which related to the commercialization of footwear produced and developed by other local manufacturers that did not have the commercial or logistic capability and organization to serve large retail clients. This business model consisted in outsourcing the simpler

and easier to produce footwear while other more complex and detailed units were produced inside. SONAE was one large client that ABREUS used this strategy with. *“About 90 to 95% of all pairs of shoes they bought were outsourced.”* (I9).

CHANGING BUSINESS LANDSCAPE

By 2001 the first differences became noticeable. Even though batch sizes were still of large size, there were many more clients, models and colors (I9). The company began developing several other types of constructions. As necessities were growing so did the level of equipment and the acquisition of new machinery *“... a client would come looking for something different and we decided to invest in one machine then another one, as the necessities grew we adapted...”* (I1).

By 2004 the firm was recruiting more modelers¹³ as the competitive context was changing and the firm was moving towards adapting to this new reality (I4). Large sized batches start showing a decreasing trend. The approach and demands of a client called NEXT was what lead ABREUS to expand its competencies and NPD capacity in a first stage *“They would send a lot of drawings and they wanted us to suggest something...”* (I4). Clients start working together with ABREUS in the process of development and design of a model. More complex constructions, which demanded a different type of assembly and materials, required new machines. More flexibility on behalf of employees to learn and develop new functions was crucial to respond these new necessities.

2006-2010

GOLDMUD

The brand introduction in 2006 was the major noticeable strategic change led by Miguel Abreu. The development of GOLDMUD was the climax of the strategy restructuring. It represented the objective of finding new customers and developing the necessary capabilities to address the changing environment and new competitive landscape *“If it was the right choice only time will tell but large orders were disappearing and were not coming back...”* (I15). It considered a trendy, comfortable

¹³ Person in charge of developing the samples and shoe models for production

and elegant model targeted to market segment of men and women between the age 17 and 45. Since 2008 its assembly process uses a patented type of a complex construction, the “*inverted moccasin*”¹⁴ that became a source of differentiation for the brand. Being a very demanding client that orders very small batches with a lot of different, models colors and materials is what characterizes GOLDMUD.

CHANGING CULTURE

The modification of business goals and production processes triggered significant organizational changes. It was then when Miguel contacted the CTCP (Technological Center) to facilitate this process. It was necessary to improve flexibility and quality increasing efficiency and the role of the CTCP related mostly to introducing the processes, facilitating new knowledge assimilation and highlighting the internal gaps the company required filling in order to compete in the value added segment (HR, technology, sample capacity...).

The most important facts that determined the present situation of ABREUS are chronologically detailed in Table 4.4.

Year	Decision/Fact	Reason	Impact
97	Miguel Abreu enters the company	Improve commercial department	Strategic leader responsible for the strategic change.
00	Client SONAE	Looking for new clients	New business model related solely to commercialization
00 to 06	Introduction of more assembly systems. Automatic cut machine. New assembly and finishing line	Respond to different client necessities. Increase the production and sample capacity	More flexibility in terms of constructions and production of smaller series.
06	Brand creation	Create own stream of income reducing dependency from clients. Enter a new market segment. Show clients what they could do.	Raise quality standards. Raise awareness. Developed new competencies. Achieved an independent source of income.
07	MICAM exposition	Brand recognition	New business relationships with a new market segment.
07 to 11	CTCP contact	Support in the change process	Improve quality and flexibility. Support in the culture change process. Prepare for new market demands. Explore market opportunities. Increase efficiency
07 to 09	Dropping orders and loss of important clients	Clients that favored price as main criteria	Higher commitment to the new strategy.
08	Inverted mocassin	Distinctive solution for the brand	New patented construction. Recognition and distinction in terms of the firm’s innovative capacity
08 to 09	Facility extension. Investment in sample line	Make room for NPD improve image and sample capacity	Better NPD capacity. Faster sample development

Table 4.4 Most important facts throughout the change process

Source: I1 to I16, CD01 to CD47, MA01 to MA28, APPENDIX 3

¹⁴ Name attributed by the company to the patented construction

4.2.2. MAIN ECONOMIC AND FINANCIAL INDICATORS

In 2011 the sales volume of ABREUS was of 6.516.684 euros, which evidenced a decreasing trend since 2006, the year the company presented its largest sales volume so far, almost making twice as much (APPENDIX 3). The main reason for this downward spiral can be attributed to the dropping orders of important clients such as DECATLON, KICKERS or NEXT. In 2006 NEXT alone accounted for 42,1% of the total sales volume. KICKERS, which had been their main client in the early years by 2007 was still responsible for more than 20% of ABREUS' total sales. DECATLON was a highly price focused client with an average price per item of 12 euros per pair of shoes, the lowest price sold by ABREUS. Yet, between 2003 and 2005 accounted for an average of more than 20% of the total sales per year. By 2009 all of these companies had ceased to order from ABREUS (APPENDIX 3) *“They were focusing on price and we were already in a situation where it was no longer sustainable to decrease prices...”* (I15).

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Sales	2.986	3.182	2.764	5.084	5.142	6.318	7.798	8.344	11.711	11.002	9.257	7.875	7.135
Net income	8	11	7	11	15	22	44	86	94	87	23	24	21
Assets	1.258	1.121	1.893	2.817	2.621	2.510	2.856	3.332	3.927	5.541	5.897	5.643	6.441
Equity	205	329	348	534	549	571	615	701	715	952	976	1.109	985

Table 4.5 Main economic and financial indicators in thousand euros

Source: CD09 to CD27, CD46, CD47

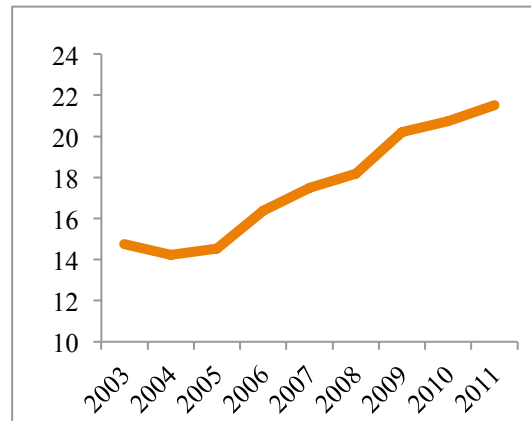
Nevertheless, the company's Assets and Equity kept growing (Table 4.5)¹⁵ evidencing the investment the company has made through time and in spite of orders having decreased drastically 56% from 2006 to 2011, the sales volume hasn't decreased quite as significantly (44%), which comes as a reflection of the higher valued clients' segment the company has been able to target, increasing the average price charged per unit (APPENDIX 3, Graph 4.6).

The most significant part of the production is meant for the external market accounting for 51,6% and 53,4% in 2010 and 2011 respectively (CD43, CD44). Even

¹⁵ The Net income, Assets and Equity were not considered as the company's fiscal year wasn't closed by the time the dissertation was delivered

though it is far from the numbers the Portuguese industry reveals (94,1% in 2010), it still evidences the importance of the European market with France representing the destination of almost half (47,6%) of the ABREUS' total production.

The outsourcing management is done based on the knowledge of the hired suppliers and the work volume. Although, the smaller sized orders with more complex constructions and logistic proceedings (the ones that imply more materials and assembly processes) are produced by ABREUS, since the higher degree of complexity has a negative impact on productivity inflating prices



Graph 4.6 Average price per unit sold

Source: APPENDIX 3

considerably *“Managing this outside is much more complex... They do not have the same resources and the falls in production would decrease productivity and increase prices considerably.”* (I9). The national market, which mostly considers simpler and cheaper items, allows the company to outsource their development and production to neighboring factories. SONAE and PORTOCOURO are the two most representative clients of this business model. This strategy has provided an important stream of revenue and in 2011 the two clients still accounted for 18,4% of the total sales. Yet, in the last two years SONAE's orders dropped from 115.087 to 38.063 pairs of shoes (74% per year). This is a client that used to buy an average of 25% of ABREUS' sales volume between the years of 2004 and 2009 (APPENDIX 3). This fact contributed for the outsourcing of total production to decrease from 35% to 30% and 18% in 2009, 2010 and 2011, respectively (CD44, CD45).

From the 82% produced in doors only about 20% of those are processed entirely by ABREUS since the sewing and cutting processes of production present significant limitations, which in turn increases the dependability of ABREUS on its suppliers. Being an industry characterized by two seasonal stances, orders come all at the same time, which press the company with deadlines (I9, I13, I15).

As a result of the strategic change in spite of being pressed with the decreasing orders ABREUS looks for higher valued clients. PALLADIUM and PATAUGAS are two

examples. Together accounted for almost 50% of total production in 2011 and along with GOLDMUD represented the most expensive buyers (26, 26 and 27 euros per pair on average, respectively). The average price charged per pair grew from 14,8 in 2003 to 21,52 in 2011, which accounts for a growth of more than 30% in seven years going in line with the strategic aim of the leader (Graph 4.6, I4).

GOLDMUD started selling in 2009 and by 2011 had reached 10,94% of sales, which represented a growth in sales volume of almost 40% per year. It enables the company to consider an independent source of income that may prove to become a crucial capability to address the unfavorable economic environment and difficulty of finding new costumers.

During the implementation of the new business model the number of employees did not fluctuate significantly as the internal change process was managed with the resources the company already had. The development of new competences was guaranteed through means of training with the help of the CTCP. By 2011 the first signs of the necessary staff reduction, required to decrease firm’s to be able to address the decreasing National and European (the company’s main markets) purchasing power, were evidenced (APPENDIX 3, DO1, I16).

4.3 COMPETITIVE ADVANTAGE

Through time the sources of advantage have evolved and considered three distinct business models (Figure 4.7).

On a first stage the source of advantage came from low production costs in terms of wages and materials in the development of the mitt type of shoe. There was a high demand for standardized footwear and the previous experience at CONTINENTAL was important for this advantage to cement.

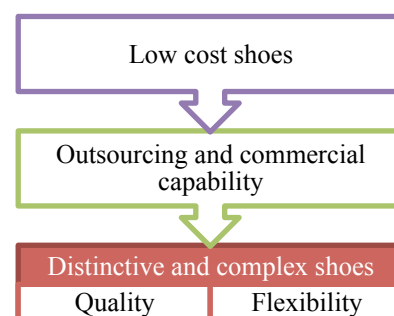


Figure 4.7 The company’s business models

Source: Author

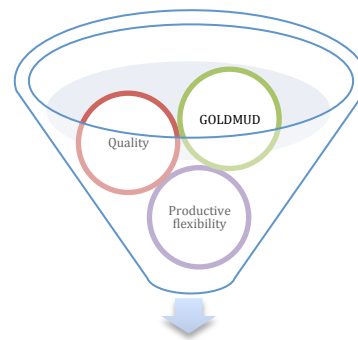
During the adjustment process of the changing business landscape the outsourcing capability came as an opportunity particularly for the national market’s demand where

ABREUS was able to outsource almost all of the production and development focusing on the commercialization of footwear. It was an important business strategy especially during the restructuring process, when the company was dealing with decreasing orders and loss of important clients while trying to reach a new market segment. It enabled a new and steady source of income, although it is currently a business model that is in a late maturity stage (APPENDIX 3).

Presently the company's DC and origin of its CA lies on the ability to create complete solutions of distinctive and complex shoes. To create it ABREUS relied on the capacity to deliver high quality goods, considering an efficient cost management and a flexible response system.

4.3.1 CAPABILITIES

The creation of the company's DC is supported by three capabilities explained below and highlighted in Figure 4.8. Alone they are not able to provide a source of differentiation or advantage for the firm, but together they represent the organizational response found to address the changing environment, which allows the company to benefit from the advantage it currently holds.



Distinctive solutions

Figure 4.8 Capabilities supporting the company's DC

Source: Author

GOLDMUD

The organizational step developed by the firm, more particularly by Miguel Abreu, towards this new strategy was the creation of GOLDMUD (I4). It represented a source of innovation as it considered a patented assembly type that no other production uses (inverted moccasin). GOLDMUD is a very demanding client that has contributed for the quality levels to increase *“It was something that helped people realize that we had to change in terms of quality.”* (I9).

With the development of GOLDMUD and participation in international events such as the MICAM and the GDS the company managed to raise awareness being

distinguished with awards for revelation of the year (MA11, MA13, MA15) and innovation (MA2, MA11) in 2007 and 2008 respectively and strike commercial relationships with clients with different market necessities allowing the firm to enter a higher value added segment *“It was a way to show clients what we could do...”* (I2) *“We are growing nearly 200% per year. This is the advantage of having a new brand...”* MA25.

The loss of large sized orders together with the visibility and awareness GOLDMUD began to raise allowed ABREUS to follow a strategic line where it dropped the price focus to start developing complete solutions of distinctive shoes.

It was an essential change enabler that allowed the enterprise to compete in a new segment, developing the technical capacity it did not possess and increasing the bar for exigency and quality *“The models are difficult, different constructions, different models, applications and finishing. We learn to work from them, as there are situations where we need to go the extra mile. With this experience we develop the technical skills for other constructions and other clients...”* (I10).

The brand is seen as the future, as this vertical integration allows an independent source of income *“... it is not easy to launch a new brand but this is how we are planning on surviving because with our own brand we do not depend on orders from other footwear companies”* I13. Figure 4.9 summarizes the main changes the brand introduced in the firm.

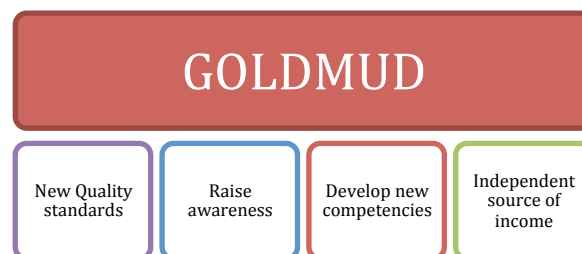


Figure 4.9 The impact of the introduction of GOLDMUD

Source: Author

QUALITY

In order to serve a higher valued segment the emphasis on quality had to be stronger. The small production series leave no room for errors as flaws are easily detected and the learning curve is significantly reduced. In this new context quality is emphasized over productivity. In that order, it is important to minimize footwear returns as these have a direct impact on the profit margin (I4).

In this new business landscape quality is no longer solely associated to the assembly part and materials used in the development of the product but also to a service. In order to be able attract new clients from a higher segment it was necessary to render a differentiated service that would justify the extra cost *“When we move to more differentiated and more expensive items this differentiation lies in the service provided.”* (I16). Today the commercial department has the concern of trying to understand what the client is looking for, who he works with the types of stores and segments. With that in mind ABREUS suggests different things, improving, delivering something even better *“... there is a change in philosophy... to add more quality rather than simply providing a service. It’s not just making shoes. It’s providing quality suggesting new constructions and adapting... This is the big difference... It allows us to run from the price discussion as a priority.”* (I4).

FLEXIBILITY

The new strategy demanded a high degree of adaptability from the employees in terms of production processes. In the beginning there was some reluctance on their behalf to change the procedures they were involved *“It is important to teach them how to adapt.”* (I6). It was also required the development of new capabilities as the firm started using new materials and constructions (I4, I6).

The ability to deliver orders on time, to have the productive flexibility capacity that allows the creation of several different constructions and the capacity to work with smaller orders is crucial for a trendy segment such as this one where products have a much shorter lifecycle *“We are winning a bet because we are adapting faster than others. When others realize this is the way to go we will be at the top”* I14.

4.3.1. OTHER FACTORS

Associated to the capacities the company was able to develop there are also other factors that have allowed ABREUS to benefit from a differentiated position (Figure 4.10). The previous experience in the footwear industry; The European market knowledge, which along



Table 4.10 Other sources of differentiation

with the national market are their main buyers, as well as, the ability to deliver in short period of time, particularly when compared to countries such as China. Also, the cheaper means of production when considering other important European footwear exporters such as Spain and Italy (MA25). Last but not least the ability to work together with clients, suggest and deliver different solutions.

4.4. SUMMARY

Miguel had already realized that the business models the company was following were not sustainable. It was necessary to move towards what the market values today. *“All of the mass production models were delocalized to China, India or middle Eastern countries with very cheap labor. We are not able to compete in that market.”* I16. His aim was always to place the company where others wouldn't reach *“Since the beginning my vision was always to run from the competition towards a much difficult and differentiated item.”* (I4). Today they distinguish from others thanks to the capacity to suggest new solutions. Clients that chose ABREUS are looking for ideas, they are looking for someone that knows the European market and helps them to differentiate from others *“...it's important the help we can provide the client in terms of market knowledge. The Chinese do not know the European market. They know only what has already been done in Europe and is brought there by Europeans. By then it's gone it's history.”* (I4). ABREUS creates value for the client by providing something extra that others do not offer *“... I like to work with someone whom I ask A and he delivers A plus something better... this works for collaborators, suppliers and clients. If a client asks a certain construction I like to present what he wants plus something extra...”* (I4). There are not many companies able to do so. In Portugal only JEFFERS and CALAFE are able to compete in this segment (I4).

Altogether, the business model, which relies on the previously mentioned DC supported by the capacities the company was able to develop and associated to the factors highlighted in Figure 4.8 evidence how ABREUS is able to differentiate from other companies. The Figure presented on APPENDIX 4 considers a logic model (Yin, 2009) that summarizes the way ABREUS has developed the capacity to create complete solutions of distinct and difficult shoes.

5. DISCUSSION

The aim of this chapter is, by building on the conclusions highlighted previously where the source of DC is determined to be the capacity to create distinctive and complex products, discuss and evaluate the importance of the leader's perseverance in the development of this capability and new strategy.

On a first stage the different types of perseverance evidenced in Markman's et al. (2005) research are related to the particular case of ABREUS. The main sources of challenge triggered by the change process are then identified. With the help of Teece (2007), where he mentions three distinct periods in the development of a DC, we try to understand in what stage and in what way the persistence and resilience of the leader was revealed.

5.1. TYPES OF PERSEVERANCE

The two most common types of perseverance in entrepreneurship contexts introduced by Markman's et al. (2005) study are considered with the aim of realizing the degree of persistence demanded in the pursuit of the new source of advantage.

It is clearly evidenced that the decision to change was supported on the realization of the changing market necessities based on facts, external contacts (CTCP), market trends and competitors' movements *"This strategy came from all the studies I have done and my attention to what others are doing... I am not alone in this, I have the CTCP and the economic auditors with me, there are several people and indicators around me that show me this is the way to go."* (I16). On the other hand, there is also an unfavorable economic climate that does not guarantee the predictability and sustainability of the business environment *"I know where I want to go I know where I have to get... We have been falling for two years (the economy) what makes our strategy sometimes crash into unexpected problems... We have to reformulate what we were planning but it doesn't push us off our path."* (I16). Markman et al. (2005)'s research argues that if an individual is able to realize the potential obstacles he will find, the goals he will set have a greater chance of being fulfilled. By believing in the project the entrepreneur will have a stronger sense of persistence and resilience. It

was essential for Miguel to be aware of the challenges he would find and believe the company would benefit from this new strategy in order for him to have the incentive to act and introduce the necessary changes. The business landscape change allowed him to understand the business model the company was following wasn't sustainable. He was and still is convinced this the way to go in spite of being pressed by the economic downturn. That makes him persist on this path. The perceived control over adversity can be considered to have led to a MODERATE sentiment of persistence.

Regarding the perceived responsibility for adversity's outcomes in this case clearly leads to HIGH resistance. Miguel was the main responsible

Perseverance of the leader	
Perceived control over adversity	MODERATE
Perceived responsibility for adversity's outcomes	HIGH

Table 5.1 The Leader's Perseverance: High, Moderate and Low

Source: Author

for this change process. He was the change enabler and persecutor of the new strategic process. He is today the strategic leader of the company (I13, I14, I15, I16). Markman et al. (2005) study suggests that the one(s) held accountable for the results tend(s) to commit into actions and rectify unfavorable outcomes no matter the source.

5.2. MAIN OBSTACLES

PARTNERS

Miguel found strong natural barriers inherent to the partners' age and experience. The fact that they were the third generation of a family linked to the footwear industry, which is a moderate industry that had always been presented with a business model characterized by mass production and cost focus were the main reasons for this resistance "*...when you are used to working in a certain way and when you come from an organization 10 times bigger than this one where the company, the clients, the market profile are totally different...*" (I16). Today with a much smaller factory where conditions are much different with much smaller orders, more complex and more demanding products in terms of materials, constructions and quality, which also require a higher investment and risk, there is natural reluctance associated to a different business landscape "*It must not have been easy at all (to convince the*

partners). *We are talking about people that have worked for many years in the shoe industry used to work with even larger volumes than the ones produced here.*” (I15).

In order to follow a different strategy it was necessary to show the structural change the market had been evidencing. It was necessary to pass along the information of the changing market necessities and demands but it was also crucial to be “*stubborn*” (I9). Miguel himself acknowledges that fact “*I didn’t have to be a pain in the ass, I still have to keep being so.*” (I16). Still today when there is a different productive philosophy installed some divergences emerge “*My father has a different philosophy he will immediately suggest the client something cheaper, simpler with more production. I on the other hand, move towards insuring a more differentiated item, more difficult to produce that brings more value to the firm. Because in the market for cheaper products the competition is much stronger.*” (I4).

António recognizes his son’s merit and the important work he has been developing. He also acknowledges his reluctance to change specially in the beginning of this “*radical*” (I13) change process “*... I have a lot of experience in the footwear industry and sometimes he tells me to go this way or that way and I may show some resistance at first but I also seek to give him some freedom.*” (I13) but as the brand was showing its benefits and added value for the firm this resistance began to fade and today he advocates this is the path follow for firms in the industry “*...we rely less on others...*” (I13).

Nowadays it is recognized by both partners and employees the important role and merit of Miguel in the change process. If it wasn’t for Miguel’s persistence “*...probably the company would followed a different path. I am fully aware of that.*” (I14).

EMPLOYEES

Another strong obstacle was associated to modifications in production process. This was felt particularly in terms of job functions. It was necessary to subject employees to several job roles per day instead of just one as they were used to “*As series are smaller we had to regroup and everyone does more than just one operation a day... While one employee was used to cutting the same thing all day, today he cuts 10*

different things.” (I14). It was difficult at first for employees to accept and adopt the flexibility and versatility demanded. The production process of smaller batches considered also more falls in production and an increase of idle time that resulted in a significant loss in terms of productivity.

It was also crucial the contact they had with the technological center (CTCP), more predominant after the brand creation when there were inevitable cultural shocks inherent to the change process. There was also some resistance found regarding the new strategy, as some didn't see the potential benefits it would carry *“I was one of those that didn't see the launching of the new brand as a solution... Today I see that there was no other way... There were several people thinking like I did...”* (I9).

SUPPLIERS

The new constructions involve many materials that demand several colors and complex assembly processes *“...when GOLDMUD buys 10 thousand pairs it will have 60 or 70 different models and 100 or 120 colors and the quantities it requires of each material are very small, which complicates things right from the suppliers.”* (I15). It is more beneficial for a supplier to receive orders of more standardized materials *“...if they have an order of 10 thousand squared feet¹⁶ of leather from the same color, which allows an easier, faster, more profitable work they give priority to that order, while ours are smaller and have many more colors demand more work and probably wont pay as much.”* (I13). In terms of profitability such order may even prove to have a superior opportunity cost since it demands more work and time than simpler larger scale orders, so they end up leaving these orders behind (I13, I15). This fact presses ABREUS in terms of deadlines *“...if we have 30 days to deliver the shoes and 20 are spent by the supplier in delivering the material, which happens mostly with leather, we have very little time to produce, assemble and deliver with the necessary quality. It is very difficult.”* (I14).

EXTERNAL ENVIRONMENT

The national and European economies have suffered from the financial and economic crisis that has started in 2009. The lack of credit availability and the higher interests

¹⁶ Leather is measured in squared feet

have pressed companies and individuals since they are not able to leverage as much as they were used to. Payment deadlines keep being exceeded, which in turn decrease the firm's liquidity capacity *"...in order to deliver in 3 or 4 months I have to start producing now, I have to buy the materials today and pay my employees at the end of the month but I will only deliver the product in 3 months and only after an additional 2 or 3 months I will receive the money..."* (I13) *"I pay in 30 or 60 days to my suppliers and then suddenly my client pays in 6 months because he doesn't have any money because the bank no longer funds his operations... So he can only pay me when he sells the shoes to the end customer, pair by pair. How can I pay my suppliers?"* (I16)

This external landscape we are presented with may be the main obstacle for the industry today and the major source of concern. *"...We see we have a good service, we are presenting a strong brand we are placing our products on the shelves, we are managing to attract attention. Because we have a good product we have quality and then suddenly it all falls apart because of a world economic collapse. This is my biggest obstacle right now not to mention the manufacturing problems of everyday... But these are the ones that take my sleep at night. The difficulties of providing a pair in this or the other color there are ways to go around it."* (I16). The strategic measures undertaken bump into other types of problems *"Many times I say this is the type of client I want and then suddenly he goes bankrupt, disappears or looks for another market. This makes us rethink what we were planning and change our trajectory a little bit but we know the way, we know where we want to go."* (I16).

5.3. IMPORTANCE OF PERSEVERANCE IN DC DEVELOPMENT

Teece's microfoundations of DC framework was utilized integrating the obstacles mentioned above in order to understand the importance of perseverance in the different stages of DC development. The creation of the capability required a lot of determination throughout this process particularly in terms of seizing and managing change. Figure 5.2 highlights the stages of the process where perseverance was more prominent.

SENSING

The first phase of this process was represented by opportunity sensing which came as a realization of the changing market needs identified by Miguel Abreu. The threat of decreasing orders of large scale, the demand for unsustainable prices and loss of important clients set this plan into motion.

The partners could have represented a constraint source for the firm's growth at this stage as they were limited by the knowledge of daily operational routines of the firm lacking the necessary requirements to observe and seize market opportunities. Miguel presented the important entrepreneurial skills that allowed the firm to consider a strategy change that would enable future gains (Lockett and Thompson, 2004¹⁷).

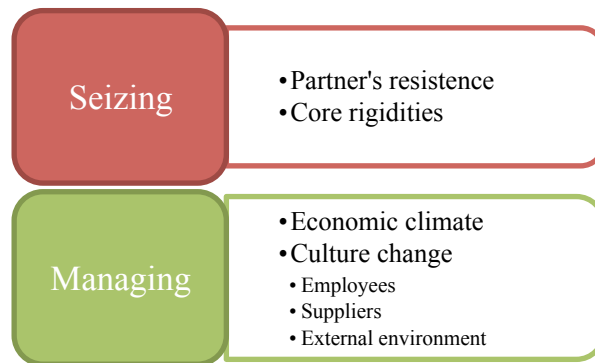


Table 5.2 Stages of DC development vs Challenges

Source: Author

SEIZING

The first big challenge the leader faced related to seizing the opportunity he had identified, which according to Teece (2007, 2011) meant accurately mobilizing the resources, designing a new business model and being able to access the necessary capital and human resources while changing internal processes. The challenge was great for a number of reasons but particularly because change was demanded while there was still residual fit. Being an organization present in a moderate industry commonly characterized by incremental rather than radical changes core rigidities were developed (Gilbert, 2006). These rigidities were translated internally in terms of a production and assembly line built for mass production, the lack of modeling capacity and machinery for new constructions. Externally the type of relationship with suppliers needed changing, more materials and components were required, smaller orders and faster deliveries.

¹⁷ in Ambrosini and Bowman, 2009, 32

The previous strategy involved resource and relational commitments, so if the strategy was required changing so did the relationships and the resource base. In order to take advantage of this opportunity Miguel had to insure processes would change overtime but to seize it more than anything he had to convince the partners *“It was crucial to be very persistent otherwise he wouldn’t have done it”* (I14).

MANAGING

Finally, managing the change process on a first stage required a lot of determination to deal with the impact of the new production processes and procedures. Miguel had to cope not only with external environment change but also with internal challenges presented by the instability and experimental character of some of the necessary measures. It was important the help of the CTCP to manage the culture change process and the assimilation of new knowledge and functions. Dealing with new requirements, new quality and exigency standards, processing new and smaller series, demanded a high degree of adaptability. It was crucial to successfully built strong internal (employees) and external relationships (suppliers, distributors and customers) in order to soften the core rigidities mentioned above (Eisenhardt and Martin 2000; Teece, 2007).

5.4 SUMMARY

The observable changes in the business landscape have made the leader realize that the company’s survival as in question. In order to respond to this market threat ABREUS had to develop organizational routines that could alter “current positions” (Helfat and Peteraf, 2009, 97), which relates to current technology and assets, customer base and suppliers, to create new ones and choose a new path (Helfat and Peteraf, 2009). The market response the leader sought wasn’t seen by many as the way to go, which presented right from the start a big obstacle in terms of opportunity seizing, the partners. The company had to alter value chain procedures. Employees were required to develop competences to adapt to this new reality. The relationship and commitments with collaborators needed changing. There was also the need to invest in new assets as the old ones became obsolete. Present in a moderate market that considered a totally different business landscape represented by the same

business model for 30 years, the pre-existing conditions represented core rigidities the industry and the company developed through time.

The two business models, the firm had been following, by 2006 presented the largest sales volume so far and were required changing as the market trend started evidencing these strategies were reaching maturity. It is not easy to say “*ok we made almost 12 million in sales last year but we need to change*” (Hypothetical).

Perseverance was determinant in seizing the opportunity and managing the whole change process. Miguel saw the opportunity and went for it. Many of the pre-existing conditions he found were a source of challenge for him. His persistence and resilience enabled the company to develop the DC it currently holds.

Presently the change process is still undergoing and company still presents some limitations. The dependability on suppliers coming from the smaller orders and different materials required, as well as, small cutting and sewing capacity, on the one hand (I13, I15). On the other hand, the production line that is still not ready for small orders allowing to many falls in production as a result and decrease productivity (I15). These conditions press the company with deadlines and along with the challenges coming from unexpected market conditions predict hard times ABREUS in the coming years. Still, Miguel finds himself convinced more than ever that this is the path he wants to take “*...there is a light at the end of the tunnel...*” (I16).

6. CONCLUSION

The creation and development of complete and distinctive shoes was the strategic move the leader found to address the changing environment. It is currently ABREUS' DC as it represents a dynamic process considering new organizational routines involving a NPD strategy. It allowed the company to realize a market opportunity, targeting a different segment and stream of income. The DC represented a new path the enterprise took to go around the threat of collapsing. It considered timely and market-oriented decisions based on new customer needs, supported by the development of new competences and the investment on new equipment, considering a new resource configuration, which relies on 3 main capabilities: GOLDMUD, Quality and Productive Flexibility.

Through the analyzed data this DC does not lead a sustainable competitive advantage position as it represented the response of the company to a succumbing market and its success is highly dependent on external conditions. Utilizing Helfat's et al. (2007) theory and as the change process is still undergoing it can be argued that the company still hasn't reach the optimal "*technical fitness*" (Helfat et al., 2007, 7), therefore it does not allow any assumptions to be made regarding the impact of the DC on the firm's performance.

Relating more specifically to the dissertation's question and taking by example the case of ABREUS, perseverance was a crucial matter in opportunity seizing and managing stages. Being present in a moderate industry, with a business model that was instilled for over 30 years, natural core rigidities were developed. They were represented mostly in terms of resource and relational commitments.

ABREUS today is a totally different company than when it started doing business. The market profile has evolved. The type of client they were used to serve no longer exists. Being able to realize it was what enabled the whole change process to start, although in order for the company to develop the DC that provides them with the CA they presently hold, the perseverance of Miguel Abreu played a major role. Seizing the opportunity depended on Miguel's persistence and resilience to fight against the

barriers he was presented with and on his capacity to justify the investment and risk attached to the strategic change.

Presently managing the change process is what represents the biggest threat as the company's two main markets (National and European) are being affected with the decreasing purchasing power of consumers. This poses not only a threat for the company but for the industry as a whole, particularly the value added segment directed to the middle class. Enduring this tough period demands perseverance and belief that the DC the company was able to build will provide them with better results in the long run.

Considering entrepreneurial contexts, characterized by risk taking operations posed by innovative strategies and creative destruction proceedings, which clash with strong barriers and clear impediments coming from core rigidities the organization or industry develops, success is highly correlated with the individual's willingness and effort to accomplish his/her goals.

Nevertheless, some limitations were found, as the topic of perseverance is not fully explored particularly when considering DC theory. Its role in the development of new capabilities, seizing and managing new market opportunities should be object of a more empirical and theoretical basis. In that order further research on the subject is suggested.

7. REFERENCES

Ambrosini V, Bowman C, 2009. What are dynamic capabilities and are they a useful construct in strategic management? *International Journal of Management Reviews* 11 (1): 29-49.

APICCAPS, World Footwear Yearbook 2011

APICAPPS, Monografia Estatística 2011

Barney J, Wright M, Ketchen David J, 2001. The resource-based view of the firm: Ten years after 1991. *Journal of Management*. 27 (6): 625-641.

Barreto I, 2010. Dynamic capabilities: A review of past Research and an agenda for the future. *Journal of Management*. 36 (1): 256-280.

Cardeal N. 2011. PME's em "clusters": Desenvolvimento de vantagens competitivas em indústrias maduras em mudança lenta. O caso da indústria portuguesa do calçado. ISCTE-IUL Tese de doutoramento - <http://repositorio.iscte.pt/handle/10071/2840>

Eisenhardt K, Furr R, Bingham B, 2010 Microfoundations of Performance: Balancing Efficiency and Flexibility in Dynamic Environments. *Organization Science*, 21 (6): 1263-1273

Eisenhardt K, Martin A, 2000. Dynamic capabilities: What are they? *Strategic Management Journal*. 21 (10/11): 1105-1121.

Gilbert C. 2005. Unbundling the structure of inertia: resource vs routine rigidity. *Academy of Management Journal*, 48 (5), 741–763.

Gilbert C. 2006. Change in the Presence of Residual Fit: Can Competing Frames Coexist? *Organization Science*, 17 (1): 150-167

Helfat C, Finkelstein S, Mitchell W, Peteraf M, 2007. *Dynamic Capabilities: Understanding Strategic Change in Organizations*. Blackwell: Oxford, UK.

Helfat C, Peteraf M, 2009. Understanding dynamic capabilities: progress along a developmental path. *Strategic Organization*, 7 (1): 91-102

Helfat C, Winter S, 2011. Untangling Dynamic and Operational Capabilities: Strategy for the (N)ever-Changing World. *Strategic Management Journal*, 32 (11): 1243-1250

Keil T, 2004. Building External Corporate Venturing Capability. *Journal of Management*, 41(5): 799-825

Markman G, Baron R, Balkin D, 2005. Are perseverance and self-efficacy costless? Assessing entrepreneurs' regretful thinking. *Journal of Organizational Behavior*, 26 (1): 1-19

Martin A, 2011. Dynamic Managerial Capabilities and the Multibusiness Team: The Role of Episodic Teams in Executive Leadership Groups. *Organization Science*, 22 (1): 118-140

Pablo A, Reay T, Dewald J, Casebeer A, 2007. Identifying, Enabling and Managing Dynamic Capabilities in the Public Sector *Journal of Management Studies*, 44 (5) 687-708

Peteraf M, Barney J, 2003. Unraveling The Resource-Based Tangle. *Managerial & Decision Economics*, 24 (4): 309-323

Pitelis C, Teece D, 2010. Cross-border market co-creation, dynamic capabilities and the entrepreneurial theory of the multinational enterprise. *Industrial and Corporate Change*, 19 (4): 1247–1270

Priem R, Butler J, 2001. Is the resource-based ‘view’ a useful perspective for strategic management research? *Academy of Management Review*, 26 (1): 22–40.

Rosenbloom R, 2000. Leadership, Capabilities, and Technological change: the transformation of NCR in the electronic Era. *Strategic Management Journal*, 21 (10/11): 1083–1103

Schoemaker P, 1990. Strategy, complexity and economic rent. *Management Science*, 36 (10): 1178-1192.

Teece D, 2007. Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*. 28 (13): 1319-1350.

Teece D, 2011. Dynamic Capabilities: A guide for managers. Ivey Business Journal, 75 (2): 29-32.

Teece D, Pisano G, Shuen A, 1997. Dynamic capabilities and the strategic management. Strategic Management Journal, 18 (7): 509-533.

Winter S, 2003. Understanding Dynamic Capabilities. Strategic Management Journal. 24 (10): 991-995.

Yin RK. 2009. Case Study Research: Design and Methods (4 ed.). SAGE Inc.: Thousand Oaks.

Zahra S, Sapienza H, Davidsson P, (2006). Entrepreneurship and dynamic capabilities: a review, model and research agenda. Journal of Management Studies, 43 (4): 917–955.

Zollo M, Winter S, 2002. Deliberate learning and the evolution of dynamic capabilities. Organization Science, 13 (3): 339-351.

Zott C, (2003). Dynamic capabilities and the emergence of intra-industry differential firm performance: insights from a simulation study. Strategic Management Journal, 24 (2): 97–125.

8. APPENDICES

APPENDIX 1 – INTERVIEW GUIDE

- 1- Hoje em dia qual o papel dos 2 sócios e do Miguel nas decisões estratégicas da empresas? Quem é o líder estratégico?
- 2- O principal agente de mudança foi o Miguel certo? Que tipo de barreiras à mudança foi encontrando na implementação da nova estratégia. Em termos internos (os próprios trabalhadores leais a um sistema de trabalho recorrente) como também externos a nível de colaboradores. Outsourcing. Fornecedores de lotes mais pequenos e variados. Exigiu flexibilidade e adaptação. Foi fácil? Que dificuldades situações difíceis? Exemplos de situações. Como lidou com essas situações?
- 3- Sentia-se o principal responsável pelo processo de mudança? Sentia que iria ser responsabilizado pela sucesso insucesso das medidas implementadas? Acha que essa responsabilidade o motivou para garantir o sucesso?
- 4- Estava convicto de que este era o caminho a seguir? Estava preparado para lidar com os obstáculos que se elevaram?
- 5- Alguma vez sentiu o seu raio de ação limitado?
- 6- Que papel teve a persistência e perseverança no sucesso da nova estratégia?
- 7- Alguma vez pôs em causa a estratégia implementada?
- 8- Alterações mais significativas para se adaptarem às novas exigências da nova estratégia(em termos de linha de produção i.e. mais outsourcing coisas mais fáceis maquinas novas mais modeladores)?
- 9- Impacto em termos de custos tem a diversidade da produção e da própria marca que de si é exigente? Como lidam com fornecedores encomendar poucas quantidades sobras. Custos extra de mão de obra
- 10- Características da empresa que a diferencia dos outros
- 11- Pensa que a ABREUS vai manter essas características que a diferenciam das outras empresas?
- 12- Hoje em dia o seu pai e tio já não têm uma visão tão fechada e percebem que os tempos estão a mudar e q a mudança é necessária. O que foi preciso para chegar ai? Acha que a tarefa do Miguel foi muito dificultada nesse aspecto?
- 13- Impacto da conjuntura económica verificada na Europa a partir de 2009. Impacto em termos de vendas e estratégia. Quais os principais movimentos estratégicos da empresa?

14- Como se conseguem defender da crise na Europa qual foi a vossa resposta em termos estratégicos?

15- Identificação dos colaboradores com os novos objectivos da empresa. Responsabilidade pelos resultados.

16- Coisas a melhorar

APPENDIX 2 – PORTUGUESE FOOTWEAR INDUSTRY GENERAL DATA 2010

	1974	1984	1994	2004	2007	2008	2009	2010
Companies	673	971	1 635	1 432	1 424	1 407	1 346	1 354
Employment	15 299	30 850	59 099	40 255	36 366	35 398	32 510	32 738
Production (thousand pairs)	15 000	48 000	108 866	84 897	75 067	69 101	67 044	61 543
Consumption (thousand pairs)	12 600	17 100	34 503	42 892	58 882	55 350	58 117	61 023
Share of imports in consumption (thousand euros)	3,4%	0,5%	22,4%	57,8%	85,3%	80,2%	67,2%	79,2%
Share of exports in production (thousand euros)	25,1%	51,4%	79,3%	86,5%	94,9%	92,4%	86,9%	94,1%

Source: APICAPPS, Monografia Estatística 2011

IN THOUSANDS OF EUROS

	Production	Exports	Imports	Consumption
Ladies' footwear	615 479	549 727	75 282	148 562
Men's footwear	465 547	415 694	56 672	112 191
Children's footwear	89 918	88 194	29 189	33 831
Unisex footwear	18 567	24 095	19 606	16 038
Safety footwear	22 101	22 859	9 900	10 132
Sports footwear	7 698	9 457	7 762	6 693
Other leather footwear	21 367	23 476	12 748	11 914
Total leather footwear	1 240 677	1 133 503	211 157	339 361
Textile Uppers footwear	24 609	31 013	82 419	78 400
Water resistant footwear	15 289	22 466	10 571	5 615
Other plastic footwear	14 885	32 733	116 959	103 779
Other materials footwear	80 921	75 816	8 914	15 825
Total footwear	1 376 381	1 295 531	430 021	542 980

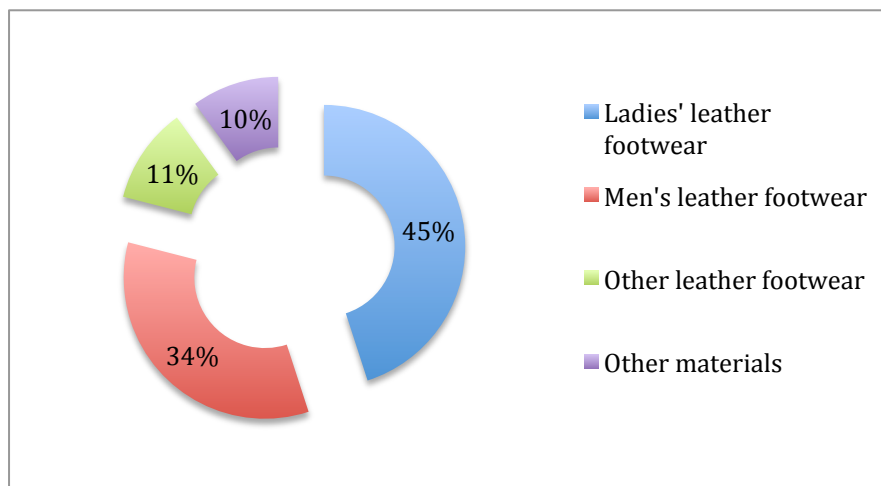
Source: APICAPPS, Monografia Estatística 2011

AVERAGE PRICE

	Production	Exports	Imports	Consumption
Ladies' footwear	26,23	25,25	16,57	23,81
Men's footwear	25,05	24,71	24,16	27,32
Children's footwear	18,44	17,99	14,01	16,45
Unisex footwear	20,89	21,03	17,26	18,25
Safety footwear	28,15	23,42	11,06	14,39
Sports footwear	28,74	27,27	19,89	21,50
Other leather footwear	24,84	24,12	18,39	20,55
Total leather footwear	24,95	24,15	17,47	22,81
Textile Uppers footwear	3,97	3,86	4,51	4,76
Water resistant footwear	6,37	5,73	4,00	5,01
Other plastic footwear	7,23	5,53	3,75	3,80
Other materials footwear	70,09	22,82	2,59	12,42
Total footwear	22,36	19,01	6,36	8,90

Source: APICAPPS, Monografia Estatística 2011

PRODUCTION BY TYPE OF FOOTWEAR



Source: APICAPPS, Monografia Estatística 2011

APPENDIX 3 – COMPANY DATA

NUMBER OF EMPLOYEES

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nº de funcionários	74	77	73	91	93	89	86	88	116	123	118	122	129	120

Source: CD28 to CD31, case study, CD48, CD49

TOTAL SALES

	2 003	2 004	2 005	2 006	2 007	2 008	2 009	2 010	2 011
Quantity	427 833	548 153	574 550	715 121	629 589	509 526	389 415	351 475	317 887
Sales	6 318 222	7 797 724	8 344 637	11 711 373	11 002 344	9 257 305	7 874 830	7 134 945	6 516 685
S/Q	14,8	14,2	14,5	16,4	17,5	18,2	20,2	20,3	20,5

Source: CD32 to CD43

LOSS OF IMPORTANT CLIENTS

KICKERS

	2 003	2 004	2 005	2 006	2 007	2 008
Quantity	36 200	44 008	61 843	89 296	95 805	20 246
Sales	824 931	911 788	1 353 280	2 012 866	2 225 817	469 472
S/Q	23	21	22	23	23	23
% total sales	13,06%	11,69%	16,22%	17,19%	20,23%	5,07%

Source: CD32 to CD43

DECATLON

	2 003	2 004	2 005	2 006	2 007	2 008	2 009
Quantity	159 827	185 636	176 774	91 694	40 210	25 648	2 040
Sales	1 626 251	1 950 094	1 911 500	1 046 871	496 131	324 086	26 213
S/Q	10	11	11	11	12	13	13
% total sales	25,74%	25,01%	22,91%	8,94%	4,51%	3,50%	0,33%

Source: CD32 to CD43

NEXT

	2 003	2 004	2 005	2 006	2 007	2 008	2 009
Quantity	29 564	87 437	134 125	312 059	208 134	99 956	43 283
Sales	425 995	1 128 502	1 934 491	4 935 644	3 182 713	1 627 957	757 077
S/Q	14	13	14	16	15	16	17
% total sales	6,74%	14,47%	23,18%	42,14%	28,93%	17,59%	9,61%

Source: CD32 to CD43

NATIONAL MARKET

PORTOCOURO

	2 008	2 009	2 010	2 011
Quantity	60 373	40 482	29 080	35 740
Sales	902 897	620 961	436 200	536 100
S/Q	15	15	15	15

% total sales	9,75%	7,89%	5,99%	7,84%
----------------------	-------	-------	-------	-------

Source: CD32 to CD43

SONAE

	2 003	2 004	2 005	2 006	2 007	2 008	2 009	2 010	2 011
Quantity	43 292	132 600	128 392	115 893	150 180	168 491	115 087	62 739	38 061
Sales	676 014	2 005 744	1 922 471	1 974 863	2 542 397	3 075 210	2 157 008	1 192 041	723 191
S/Q	16	15	15	17	17	18	19	19	1
% total sales	10,70%	25,72%	23,04%	16,86%	23,11%	33,22%	27,39%	16,37%	10,57%

Source: CD32 to CD43

NEW CLIENTS

PALLADIUM

	2 007	2 008	2 009	2 010	2 011
Quantity	2 336	57 699	103 528	102 100	118 908
Sales	62 119	1 401 751	2 685 712	2 654 600	3 091 608
S/Q	27	24	26	26	26
% total sales	0,56%	15,14%	34,11%	36,45%	45,19%
% total Q	0,37%	11,32%	26,59%	29,05%	37,41%

Source: CD32 to CD43

PATAUGAS

	2 010	2 011
Quantity	28 098	32 418
Sales	730 548	842 868
S/Q	26	26
% total sales	10,03%	12,32%

Source: CD32 to CD43

SUPERDRY

	2 010	2 011
Quantity	14 059	18 434
Sales	351 475	460 850
S/Q	25	25
% total sales	4,83%	6,74%

Source: CD32 to CD43

BRAND

GOLDMUD

Year	2 009	2 010	2 011
Quantity	12 388	28 603	34 768
Sales	331 202	772 281	938 736
S/Q	27	27	27
% total sales	4,21%	10,60%	13,72%
% total Q	3,18%	8,14%	10,94%

Source: CD32 to CD43