Rethinking the resource based view: a theoretical essay on resources sharing for obtaining competitive advantage

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Abstract

This article proposes, from a literature review, to rethink the precept of protection of resources in the strategic perspective of Resource Based View from the point of view of interorganizational relationships. The paper was developed from considerations of the Brazilian context of encapsulated coffee. Our considerations made point to a possibility for micro and small businesses gain a competitive advantage from the decisions of (i) establish a new type of relationship, and (ii) manage the main feature from the concept of open source, which contradicts a dimension of the Resource Based View.

Keywords: Resource Based View. Open Source. Joint Venture. Competitive Advantage. Resources.
Introduction

In a context of a globalized economy in which the large part was developing and adapting world-class services and products to local habits and tastes, competition has become a challenge, especially for micro and small enterprises (MSEs), which need to use innovation to survive the market (Mello, Machado, Ferreira, 2010; Baron e Shane, 2007; Hoffmann e Morales, 2006; Luz, Oliveira, Ornelas, 2004; La Rovere, 2001).

In the Brazilian agribusiness scenario, the coffee industry is experiencing a similar situation with the encapsulated coffees, a market that is growing more than the traditional market with higher profit margins. Espresso machines constitute the resource that enables the market to function, and once the final consumer has acquired a machine it will have its use restricted to the capsules of the same manufacturer, so that the process of choice by a machine is influenced by elements such as variety, reliability of supply, and perceived quality (ABIC, 2014; ACCB, 2014).

This configuration leads to a concentration of the market, in which large companies keep the domain acting nationally, whereas the MSEs are restricted to a local performance. In order to enter the market for encapsulated coffee these small producers have two major barriers: (i) the high cost of developing customized machines, made exclusively for each brand, and (ii) the high scale requirement for the production of coffee capsules (ABIC, 2014).

It is noted that MSEs have difficulty accessing large scales, and that large companies act according to the Resources Based View (RBV) literature, which promotes the need to carry out actions to create protection for the main company resources (Silverman, 1999; Peteraf, 1993; Barney, 1991; Penrose, 1959; Selsnick, 1957).

From this exposition we present the main objective of this paper, which is to rethink the protection precept of the resources exposed in the RBV from the interorganizational relationships. To this end, it proposes that sharing the main resource of a joint venture with actors from within and outside the structure should make it possible to compete in a market with high barriers to new entrants and may even be a source of competitive advantage.

To reach the proposed goal we demonstrate the case of Brazilian coffee producers. A theoretical construction presents a possibility to establish a type of relationship for the construction and sharing of the main resource, making possible the entry into a new marketplace.

The academic relevance of this text is in its propositional value, since it raises hypotheses to be tested regarding the organizational relationships and the resource utilization strategy. In general, organizations seek to protect their resources to gain competitive advantage, while this article is also relevant for developing a counterpoint by importing the concept of open source for discussion of RBV.

This article presents managerial implications when it proposes that a configuration of a certain form of interorganizational relationship may allow entry into new markets; and also when it proposes that opening up access to the main resource can generate a competitive advantage.

In terms of methodological aspects, this text is a theoretical essay that presents a qualitative approach (Patton, 1990) and the research is classified as applied regard-
ing its purposes (Vergara, 2010), and classified as bibliographical (Miles and Huberman, 1994).

The scope of this paper is divided as follows: after this introduction we present characteristics and considerations about the Resource Based View, presenting a contraposition of the RBV with the Open Source concept; the following section talks about Interorganizational Relationships, and specifies the arrangement of joint ventures; The following is a discussion of the coffee market in Brazil, specifying the coffee market in capsules; then, from the handling of the presented concepts are realized theoretical propositions aiming to demonstrate a possibility of obtaining competitive advantage; Finally, the final considerations are made.

**Resource-based view: characteristics and considerations**

The Resource-Based View (RBV) considers that the firm’s competitive advantage is dependent on the resources and capabilities required for competition, so the strategy’s elaboration is born from an internal perspective (Barney, 1991; Penrose, 1959; Selsnick, 1957). In this way, the RBV opposes the view that competitive advantage depends on the external environment, as advocated by Porter (1980), Ansoff (1965), Schumpeter (1950), among others.

The resources can be understood as tangible or intangible assets that enable the firm to formulate strategies, be they physical, financial, human, technical or procedural resources (Barney, 1991).

Based on the perspective of the RBV, organizations seek resources that are valuable, rare and inimitable, so that they are difficult to be reproduced by the competition, enabling the generation of sustainable revenues; or resources that allow the organization to compete with advantage (Barney, 2001; Peteraf, 1993; Silverman, 1999; Wernerfelt, 1984).

Four distinct elements should be considered in the RBV analysis, namely: (i) value, relative to the power that the resource has to add value to the organization; (ii) the rarity, which means how many other companies have the resource available; (iii) imitation, if there are substitutes for the resource; and (iv) the organization question, which corresponds to the support given by the firm’s members to the exploitation of the resource (Barney, 1991).

Competitive advantage is more linked to the achievement of resource specificity, which improves the organization’s position vis-à-vis competitors (Silverman, 1999, Montgomery and Wernerfelt, 1988). The strategic decision to form alliances to seize opportunities or mitigate risks in current or future markets should also be made according to the resources available to be accessed by each of the partner organizations (Gulati and Gargiulo 1999, Jensen and Roy 2008).

An organization makes the decision to enter new markets when it can exploit existing resources, or when its resource base is strong enough to compete with some advantages in this market (Silverman, 1999).

**The Open Source and the Resource Based View**

The Open Source definition was created by the Open Source Initiative (OSI), and determines that an open source program should guarantee features related to free use by other groups (SLB, 2014).
The open source concept has caused profound changes in the software development industry, introducing a new business model based on collaboration, where the core feature must be made available for free (Taurion, 2004).

It is noteworthy that there is a tension between the strategies based on the Resource Based View, which contemplates the protection of the main business resources (Silverman, 1999; Peter, 1993; Barney, 1991; Penrose, 1959; Selsnick, 1957), and the ones based on Open Source, which includes the opening and availability of the firm’s technological resource (SLB, 2014; Taurion, 2004).

**Interorganizational relationships and joint ventures**

The development of interorganizational relationships is important because it allows a better performance of the firm (Mello, Machado, Ferreira, 2010; Dahab, Guimarães, Dantas, 1994; Luz, Oliveira, Ornelas, 2004). Like access to new distribution channels (Osterwalder and Pigneur, 2011; Mello, Machado, Ferreira, 2010), new possibilities of designing a business model (Osterwalder and Pigneur, 2011), innovation (Mello, Machado, Ferreira, 2010, Luz, Oliveira, Ornelas, 2004) among other possibilities.

A more intense form of relationship can be seen through the formation of alliances, which generates information benefits for partner companies and increases trust among stakeholders (Gulati and Singh, 1998; Gulati, Nohria, Zaheer, 2000). When two or more organizations go beyond the alliances, they can together give rise to a new enterprise with its own legal personality, constituting a joint venture (Dahab, Guimarães, Dantas, 1994).

The joint venture creation may be explained by means of Transaction Cost Theory, according to which the creation of this structure is able to optimize costs with regulation, specification activities and monitoring of the resources involved (Williamson, 1985). Table 1 summarizes the reasons for forming a joint venture.

- Protectionism in the country of destination;
- Balance the competition with local manufacturers;
- Increase market penetration;
- Obtain access to distribution channels;
- Develop management expertise;
- Access to inputs available locally;
- Competitive advantage through resource sharing;
- Obtain benefits of Regional Economic Parteneship (i.e. Reduction of import or export aliquot for being part of it);
- Local government requirements for a foreign firm to establish itself in the country.
- Capacity in the domestic unit - when the options to expand domestically in the current location are considered unfavorable
- Reduce the negative impact of local legislation on foreign investments.

Table 1 – for forming a joint venture
Source: Elaborated from Lima e Carvalho (2011)
The joint venture consists of a structure in which organizations jointly design a commitment on the governance structure in order to align incentives among the partners (Kogut, 1988). In comparison to other forms of contractual modality, the joint venture presents greater flexibility to deal with uncertainty and to offer ownership among participating companies, aligning the incentives between them (Dahab, Guimarães, Dantas, 1994).

In this sense, it is possible to note that Resource Based View directly influences the joint ventures creation, since the new structure created from the relationship between different organizations contemplates rules to access and to management of resources, creating potential benefits and risks to the partners involved (Walker, Kogut, Shan, 1997, Gulati and Gargiulo, 1999, Jensen and Roy, 2008).

The Brazilian coffee market

The coffee market in Brazil has been growing steadily. The Brazilian Association of the Coffee Industry (ABIC) estimates that the volume of sales in roasted and ground coffee was R $ 7.3 billion in 2013 (ABIC, 2014). This growth can be visualized in Figure 1.

Figure 1 - Evolution of domestic coffee consumption in Brazil (million of bags)

![Graph showing the evolution of domestic coffee consumption in Brazil](image)

Source: ABIC, 2014.

The continuous increase in consumption should be stimulating a consolidation in the industry, which changed from 1,490 registered industries at the end of 2012 to 1,428 industries at the end of 2013, numbers generated mainly by the reduction of small companies in this sector (ABIC, 2014).

Besides the reduction of small companies, Table 2 presents a picture of the 2011-2012 biennium that allows the visualization of industry’s concentration into large companies, in which 1.5% larger (group denominated "over 1000 bags") controls more than 50% of total production, and the 7.8% higher (composed of the two largest groups) controls approximately 75% of the total volume produced:
Table 2 – Production and participation by group and size of associated companies

<table>
<thead>
<tr>
<th>Production</th>
<th>2011/2012</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Balance (bags)</td>
<td>Share (%)</td>
<td>Number of Firms</td>
</tr>
<tr>
<td>1-999 bags</td>
<td>74226</td>
<td>13%</td>
<td>338</td>
</tr>
<tr>
<td>1000-2999 bags</td>
<td>70327</td>
<td>12%</td>
<td>39</td>
</tr>
<tr>
<td>3000-9999 bags</td>
<td>134528</td>
<td>23%</td>
<td>26</td>
</tr>
<tr>
<td>above 10000 bags</td>
<td>296752</td>
<td>52%</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>575833</td>
<td>100%</td>
<td>409</td>
</tr>
</tbody>
</table>

Source: ABIC, 2014

Although Table 2 considers only ground and roasted coffee from companies registered in the ABIC, it is possible to have the size of the market concentration in large producers.

Simultaneously with this concentration, the consumption of coffees in capsules appears as a trend for the next years, having grown by 36.5% while the consumption of traditional coffees increased by only 4.7% in 2013 (ABIC, 2014).

The capsule coffee Market

For the consumption of coffee in capsule it is necessary that the consumers purchase an espresso machine, since there is incompatibility between the capsule produced by one company with the machine produced by another one. The high development costs of a machine and the necessity of high variety and scale to enable consumer acquisition are factors that also lead to market concentration by large producers, reducing micro and small producers to local markets (ACCB, 2014).

The evolution of the capsule coffee market was accentuated in 2013, when approximately 10 new companies started to produce in Brazil, stimulated by the high added value of the product (ABIC, 2014).

By the end of 2012, there were more than 850 thousand units of espresso machines sold in Brazil, with an expectation of intense growth. This data reinforces the monodoses consumption trend, which is the coffee prepared for a single cup (Kantar, 2014).

The performance of large companies may be paving the way to improving consumer perception of higher value products (ACCB, 2014, ABIC, 2014), although access to this road is not completely viable for micro and small companies.

It is understood that it is possible for SMEs to compete nationally with large companies, and even obtain some competitive advantages. The next section presents some propositions from a theoretical construction in the sense of becoming this competition feasible.

Theoretical propositions

Considering the context of the Brazilian coffee market, it is necessary for micro and small enterprises to gain scale because the performance at the national level should enable competition with large companies in order to take advantage of the capsule coffee market, where the largest growth and the greater aggregation of value
in the coffee industry. In order to achieve the desired status, innovation presents itself as a necessary path for MSEs, providing a new framework for new combinations of resources (Shane, 2003; Shane and Venkataraman, 2000; Weitzman, 1996; Henderson and Clark, 1990; Nelson and Winter, 1982).

Although innovation allows for new paths, there are incentives for the organization to diversify in the same market when it can establish contracts favorable to its resources, in which its resources are highly applicable (Silverman, 1999). However, there are a number of constraints for the firm to be able to innovate and diversify, especially in the case of MSEs, since investment power may be more critical to innovation than technological competence (Christensen, 1997).

As the financial issue should limit organizations separately, an alternative is the formation of a combined structure for this new endeavor. In this case, a viable alternative would be the creation of a joint venture, given the possibilities of exploiting opportunities and monitoring the resources involved (Williamson, 1985). A joint venture allows greater cohesion between the participating companies during the course of collaboration (Park and Russo, 1996; Kogut, 1989; Fichman and Levinthal, 1988).

Since that competition in a new market would be viable to MSEs only through a joint venture, then there should be less conflict among participating firms because partners would not compete in this market if they were outside the framework (Park and Ungson, 2001; Park and Russo, 1996; Kogut, 1989).

Thus, it is proposed:

**Proposition 1**: The creation of a Joint Venture by MPEs might enable them to compete in the market for encapsulated coffees at a national level.

The structuring of a relationship among micro and small coffee producing companies represented by a joint venture should equate the financial issue, enabling the development of a joint resource, in this case, an espresso machine. As to the strategy to be adopted in relation to the main resource, the RBV literature recommends protecting the imitability of the signature resource (Barney, 2001, Silverman, 1999, Peter, 1993, Barney, 1991 and Wernerfelt, 1984).

The RBV bases lead to the understanding that the joint venture should create a brand to have exclusive use of the developed resource. At the same time, marketing literature highlights that the final consumer has been valuing product attributes related to product history, i.e. the so-called storytelling (Pulizzi, 2012), social responsibility (Lichtenstein et al., 2004), and the power of choice represented by the variety (Mogilner et al., 2008). The consideration of such elements should generate greater perceived value by the final consumer, which may even lead to a willingness to pay more (Kalogeras et al., 2009, Unahanandh and Assarut, 2013).

It is understood here an opportunity for the joint venture to be able to deliver higher value if it breaks away from the traditional view of the RBV and get closer to the open source concept (according to SLB, Taurion, 2004). It is possible to stimulating the development of products (coffee machines) by all micro and small producers participating in the joint venture and allowing the development of coffee capsules for use in the resource produced by the joint venture by companies that do not participate of the structure.
The competitive advantage is more linked to the achievement of resource specificity, which improves the organization’s position in relation to the competition (Silverman, 1999; Montgomery and Wernerfelt, 1988). In this case, the execution of the open source concept in the main resource (coffee machines) has created a new specificity, which is the possibility of the consumer choosing between several brands of coffee capsule, each with a different history and highlighting the different characteristics of each producer, instead of hiding them behind an only large company.

Thus, it is proposed:

**Proposition 2**: The application of ‘open source’ concept to the main resource of the firm instead of the protection, which should generate a new specificity to the resource and be a source of competitive advantage

In the proposed case, the establishment of a relationship through a joint venture allowed for an innovation neither in the product nor in the process, but in the business model, in which the distribution channels (representing the way the company sells, communicates and delivers products and services) should be given special attention (Osterwalder, 2011).

In order to facilitate communication with the customer, the development of a visual identity common to all capsule packaging of different producers, the product quality development process itself and the product encapsulation process should be centralized in the joint venture. Companies that do not participate in the structure should adopt another visual identity, so that it will reinforce the variety of items available for use in the coffee machine feature, but they should not have the same quality perceived by the final consumers (Mitchell and Singh, 1996).

The centralization of activities in the joint venture should relieve partner companies of the development of new skills, but must also require certain dynamic capabilities for the joint venture. The proposed business model reduces the attractiveness to opportunistic behavior, which lowers the cost of governance through confidence building (Zaheer, McEvily, Perrone, 1998; Uzzi, 1996).

It is extremely important that coffee-growing companies increase marketing and advertising investments to "guide, educate and disseminate knowledge about coffee and its qualities", as well as investing in product differentiation and innovation (ABIC, 2014).

It is recommended to use as specialized distribution channels, the internet (direct delivery or withdrawal of the product by the customer in the indicated coffee maker); and through partners (such as wine.com, a virtual site that functions as a kind of club that sends out monthly drinks and content on the history of producers, the crop, and the product). The success of new ventures depends very much on the capacity to develop competences for capacity building in distribution activities (Pisano, 1990). Investment in marketing creates capabilities that provide competitive advantage (Montgomery and Hariharan, 1991).

**Proposition 3**: The development of dynamic training in distribution channel strategy, which should allow a source of competitive advantage

As explained in the text, the differential for customers will be a network of small producers selling their capsules that can be used in the same machine, because:
(i) unlike large brands, where it is not known which farms are producing, the consumer will know the property, its history, and crop data; (ii) the consumer will not be held hostage by a single brand of capsule for use in his machine; (iii) the possibility of consuming more than a coffee, consuming a history, an experience, similar to products of high added value such as wine. It is believed that this strategy of valuing each individual producer should also strengthen individual brands.

Conclusions
Since the financial question is an impediment to the entry of MSEs in certain markets, it is increasingly important to create a inter organizational relationships, to rethink established models, and to seek innovation and application of new concepts.

The coffee market in Brazil is undergoing transformations in which consumers increasingly value the purchase of products with added value, and the proposals made here contemplate the valorization of the coffee chain, with concepts related to corporate social responsibility.

This paper presents a theoretical essay on resource sharing to obtain competitive advantage, with the aim of rethinking the RBV, exemplifying the application of the concept of open source in MSEs made possible by the establishment of inter organizational relationships through a joint venture.

The propositions of this text aim to contribute to competitiveness with specific advantages by MSEs in a market with high barriers to smaller entrants, and their constructions considered that the establishment of the relationship through a joint venture could enable the sharing of the main resource with actors of inside and outside the structure. This is in line with the traditional RBV literature that values the protection of the resource, and approaches the concept of open source, which determines the openness of the use of the resource.

It is understood that this article does not end in itself; therefore, it is recommended that future studies develop scenarios for the application of the propositions raised here in other markets, also in other contexts. In addition, it is recommended to evaluate if the participation of SMEs in a joint venture leads to the increase of the individual value of the firms.

References


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