



# ESTRATÉGIA

# COMPETITIVE ADVANTAGE: THE COMPLEMENTARITY BETWEEN TCE AND RBV

VANTAGEM COMPETITIVA: A COMPLEMENTARIDADE ENTRE TCE E RBV

Fernanda Lazzari  
Universidade de Caxias do Sul

Guilherme Borges Bergmann Vieira  
Universidade de Caxias do Sul

João Alberto Sarate  
Universidade Federal do Rio Grande do Sul

Roberto Birch Gonçalves  
Universidade de Caxias do Sul

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## RESUMO

O presente estudo analisa a complementaridade teórica entre a economia dos custos de transação (ECT) e a visão baseada em recursos (RBV), especialmente quanto à (i) especificidade de ativos e (ii) à escassez de recursos existentes nas empresas e como estes são usados para gerar vantagem competitiva. Realizou-se um estudo qualitativo de múltiplos casos em empresas do segmento de confeitarias, pois é um segmento reconhecido pela baixa ocorrência de ativos específicos e raridade de recursos estratégicos. Isso facilitou a análise em termos de volume de dados (bens e recursos) e a compreensão sobre as empresas. Identificou-se que, mesmo operando em um segmento de baixa especificidade de ativos, as confeitarias são capazes de implementar estratégias que promovem a manutenção da empresa. Além disso, possuem conjuntos de recursos estratégicos, desenvolvidos ao longo da história de cada organização, que são mobilizados para produzir ativos específicos para cada empresa diferentemente.

## PALAVRAS-CHAVE

Competitividade. RBV. Estratégia. Recursos. Confectionery.

## ABSTRACT

*This study examines the complementarities between the theoretical economics of transaction costs (TCE) and the resource-based view (RBV), especially regarding (i) asset specificity and (ii) the lack of resources available in companies and how these are used to generate competitive advantage. We conducted a qualitative study of multiple cases in the confectioneries segment, mainly because this segment is recognized for its low occurrence of specific assets and for the scarcity of strategic resources. This facilitated the analysis in terms of data volume (goods and resources) and understanding the companies. It was found that even when operating in a segment of low asset specificity, confections are able to implement strategies to maintain the company. They feature strategic resources sets developed throughout the history of each organization, which are mobilized to produce specific assets for each.*

## KEYWORDS

*Competitiveness. RBV. Strategy. Resources. Confectionery.*

## INTRODUCTION

A company is the economic agent carrying out the production and sale of goods and services in order to solve the problem of another economic agent: the consumer. This way, a company's existence is justified by the lack of it in the market. It is important to note that a company's decision between buying and making does not depend only on the differences in transaction costs (COASE, 1988), but also on the organization's costs (WILLIAMSON, 1985). These costs are linked to the technical structure responsible for the combination of assets, resources, according to a technology, to make goods and services available to consumers.

The transaction cost economics has as its unit of analysis the *transaction*, whose main concern is to create value from the coordination of governance structures focused on efficiency, through vertical integration, markets or contracts. On the

other hand, governance structures costs are directly related to a company's specific assets, while the higher the specificity of an asset, the higher the governance cost involved will be (WILLIAMSON, 1985).

Now, the resource-based view (RBV) proposes to analyze a company's *resources*, which are seen as assets, capabilities, organizational processes, company attributes, information and knowledge, which are built and controlled by the company (BARNEY, 1991). According to this theory, strategic resources are understood as elements able to provide a company with differential strategies and competitiveness.

The present study relies on the possibility of theoretical complementarity between transaction cost economics (TCE) and the resource-based view (RBV), especially regarding (i) asset specificity and (ii) the scarcity of existing resources in a company and how these are used to generate competi-

tive advantage. This complementarity will seek to assist in understanding how a company's resources can generate and explain the existence of specific assets in departments traditionally characterized by low asset specificity. Thus, the present study seeks to analyze the relationship between assets and resources in the generation of a company's competitiveness. As such, the present study chose to analyze the competitiveness of two companies in the confectionery segment since this industry is traditionally recognized by the low occurrence of specific assets and also by the rarity of low resources. The segment choice with these characteristics facilitated the analysis in terms of data volume (about assets and resources) and the understanding of the researchers made about the company.

Therefore, this article is organized into seven sections: The first and second present theoretical aspects of TCE and RBV, the third brings potential complementarities between the two approaches; the fourth section presents the context of the study, followed by a chapter about the used method, and finally, the analysis of results and the final considerations of the study.

## **TRANSACTION COST ECONOMICS - TCE: TRANSACTIONS AND GOVERNANCE STRUCTURES**

Transactions performed by economic agents are made through contracts, which should be developed adequately enough to limited rationality, to agent opportunistic behavior and to the uncertainties of the environment (WILLIAMSON, 1985).

According to Williamson (1985), in order to minimize transaction costs, companies can choose between the following three forms of coordination structures

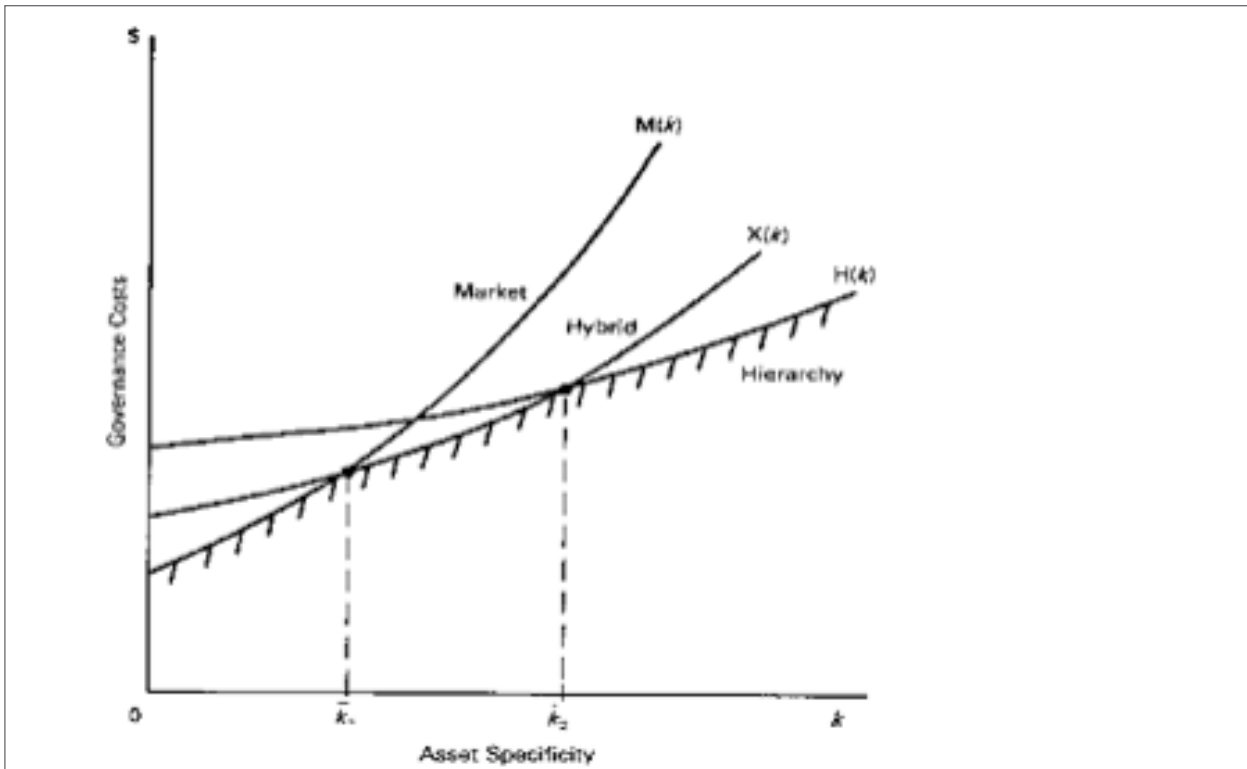
(governance structures): (i) by market; (ii) by hybrid forms; and (iii) by vertical integration (hierarchy) (FIGURE 1).

Vertical integration occurs when the contracts preparation and following up are more expensive than when the company organizes the activities, when that happens, the company will prefer to internalize the whole process.

The decision about the company coordination and the costs of governance will be based on the relations uncertainty, on the frequency of transactions, and especially on the degree of asset specificity. All three aspects, which are the main dimensions in describing transactions, characterize transaction costs of a company when the assets are not specific, when there is low internal appropriability and strong tendency to occasional transactions, a company's price will be higher than the market price which will create transaction costs (WILLIAMSON, 1985).

According to Williamson (1985), uncertainty is related to the economic agents' opportunistic behavior. However, according to the writer, the influence of the uncertainty economic organization is conditional since an increase in uncertainty creates few consequences at a transaction which is specific. If so, in case of rupture of economic relations, other relations are easily arranged, and with it, the uncertain behavior of agents becomes irrelevant.

With this, uncertainty becomes a relevant point in transactions involving specific assets. As per Williamson (1985, p. 60) "whenever assets are specific in nontrivial degree, the increase of uncertainty will make it imperative [...], since contractual gaps will be larger and the occasions for sequential adaptations will increase in



**FIGURE 1 – Governance costs and asset specificity structure.**

Source: WILLIAMSON, 1991.

number and importance as the degree of uncertainty increases.”

Now, frequency depends on how many times the transaction occurs and on the possibility of new occurrences. So, the more frequent the transaction, the bigger the degree of dependency on economic agents involved. Also, according to Williamson (1985), specialized structure requires high costs, which are justified in two ways: From the benefits promoted by the specificity and for your utilization degree. According to Simoni and Pereira (2004), the bigger the transaction frequency, the lower the fixed costs and the opportunistic attitudes that imply the interruption of contracts will be. Other aspects still result in the increasing of transactions frequency, such as: i) dilution of the costs of adopting a complex mechanism for multiple transac-

tions; ii) the possibility of building a reputation for the agents involved in the transaction; iii) reduction of uncertainty through agents’ knowledge; iv) building a reputation around a mark; and v) the creation of a credible commitment between the parties around the common object which is the relationship continuity (SIMIONE; PEREIRA, 2004).

Lastly, the specific assets, which appear as the ones that can’t be appointed in other uses without suffering loss of value (FARINA, 1997). Alchian (*apud* WILLIAMSON, 1985) says that all the logic of a company and its existence is based on asset specificity because without it there’s no reason for the company to exist.

According to Figure 1, it is possible to observe that the bigger the asset specificity, the higher the transaction risks will be

and because of that, governance costs involved will increase as well. Thus, the asset specificity proposed by Williamson (1985), was established as the main factor for the vertical integration of the company.

### Typology for asset specificity

Generally, an asset can be defined as a feature resulting from past events, which can provide future economic benefits to the productive entity, which it belongs to. The specificity is an asset characteristic, which expresses its magnitude value and is dependent on the continuity of the transaction in which it is specific (POHLMANN *et al.* 2004).

Williamson is the primary author of literature when it comes to understanding the asset specificity of a company. His work in 1985 postulates four types of specific assets: local specificity, the specificity of physical assets, human asset specificity and dedicated assets.

The local specificity appears when the successive stages of the production process of a good are located next to each other. In this case, the transportation and storage costs are great. "Once the assets are locational, the parties thereafter operate on a bilateral exchange relationship throughout the life of the asset (WILLIAMSON, 1985, p. 95).

The specificity of physical assets, on the other hand, concerns the physical aspects and attributes used in the production of a particular good. With this, different materials and the product design can be considered elements, which make up the specificity of physical assets.

Now, the human asset specificity is linked to *learning-by-doing*, in other words, through a practical learning process developed by the companies' human assets. This

kind of specificity can also be linked to the difficulties of moving human assets to make teams, which favors employment relations at the expense of independent contracts.

Lastly, dedicated assets represent investments in the productive capacity of a company, which would not be made if there were no prospect of selling a significant amount of the product to a specific customer. With this, investments in dedicated assets involve the expansion of existing plants on behalf of a particular buyer. In this case, the risks of trading are recognized, which should be attenuated by the expansion of contractual relationship.

As a complement to the four types of specific assets exposed in 1985, Williamson (1991) presents two additional ways: the brand specificity and the temporal specificity.

The brand specificity relates to the intangible capital that materializes in a company's brand, a factor that becomes even more relevant when it relates to a company that operates in the form of franchises. Now, the temporal specificity is a kind of specificity that depends on the time in which the transaction takes place and, on this basis is related to the company's technology and the response time of human assets.

In the same platform, Malone, Yates and Benjamin (1987) also propose the existence of the temporal specificity. According to the writers, an asset has time specificity if its value is highly dependent on reaching the user within a certain period. As an example, we can mention the case of perishables, which should reach their destination and be consumed within a specific period. With this, any input that should be in a specific time in relation to the manufacturing process, to avoid costs and losses, is also characterized as an asset that has specific time.

Considering the context of trade relations based on information technology, Zaheer and Venkatraman (1994) concentrated their efforts on identifying the specific assets of business processes. According to the writers, the specific assets of the business process incorporate the ideas of human asset specificity and procedures.

The specificity of human assets proposed by Zaheer and Venkatraman (1994) is related to the degree to which the skills, knowledge and experience of the staff are specific to the business process. The writers consider, also, the specificity of human assets on the level of training and experience specific to a company's product line.

The procedural asset specificity, on the other hand, refers to the degree at which workflows and a company's processes are custom to explore the capabilities of the other party involved in the transaction (customer).

Below, Figure 2 presents a summary table about the typology of specific assets identified, as well as a brief description about them.

## RESOURCE-BASED VIEW - RBV

The technology's offer of easy access creates the possibility of technological parity, relative only to financial resources. However, this does not explain the competitive differential of organizations. Where was then the differential between companies? Based on the theory of Resource-Based View (RBV) looks inside the organization with the understanding that similar companies, with the same technological base, may have very different performance, depending on organizational skills (in this article treated as *capabilities*) those have. This means different ways to explore and mobilize strategic resources and, consequently, different levels of value delivery to customers, which provide competitive advantages for the company.

The assumptions of the RBV theory emphasize that the differences between the performances of companies and therefore, competitive advantages, come from the heterogeneous characteristics of resources and how they are managed, since they are scarce, finite and valuable. It originated

Type of specific assets	Description	Authors
Local	The economic agents (buyer and seller or producer and consumer) are in a mutually dependent relationship based on physical proximity of the fixed assets. Relationships are continuous over the life of the asset, as there is an interest in minimizing transportation and storage costs.	Williamson (1985)
The physical	There are investments in equipment and machinery or other physical assets, which have specific characteristics to perform a particular transaction.	Williamson (1985)
The human	Presence of human capital that has specific skills of the transaction. It can also be linked to the level of knowledge and experience of people working in the company.	Williamson (1985) Zaheer and Venkatraman (1994)
The dedicated	Occurrence of an expansion of productive capacity of a company in order to meet the increase in quantity demanded for a second economic agent.	Williamson (1985)
The brand	Intangible capital related to the brand and its reputation in the market.	Williamson (1991)
The temporal	Related to the processing time of operation, causing the value of the asset to be highly dependent on the time the operation takes.	Williamson (1991) Malone, Yates and Benjamin (1987)
The procedural	Related to the ability of customizing a company's processes to better explore the capabilities of the other party involved in the transaction.	Zaheer and Venkatraman (1994)

**FIGURE 2 – Summary table on asset specificity**

with the work of Penrose (1959). Recently, Wernerfelt (1984) and Barney (1991), proposed to analyze the organizations and their strategic successes from their resources (RBV).

The RBV has as the unit analysis the company's resources, being prospected as a feature set built along its path, surrounded by learning processes and routines. Resources are defined as potential elements and stock available to the organization, but their simple existence does not necessarily translate into performance, as it is necessary to transform them into skills. According to Fernandes, Fleury and Mills (2006), it is necessary that such resources are mobilized, coordinated and "delivered" to ensure organizational performance.

Barney (1991) defines resources as all assets, capabilities, organizational processes, company attributes, information and knowledge that are controlled by the company, and that enables them to design and implement strategies that improve its efficiency and effectiveness. Accordingly, to Barney (1991), the competitive advantage sustainability presumes four resource characteristics: they must be rare, valuable, and hard to be copied and understood (seen) by competitors, and they should have no equivalent substitutes for these resources. According to Barney (1991):

- a) Resources are valuable when they allow the company to devise and implement efficient and effective strategies;
- b) Resources are rare when the company has implemented a strategy based on creating value with no other company able to implement it simultaneously;
- c) This difficulty to "imitate" resources occurs with the combination of three factors: (i) the company's ability to obtain

resources depends on its unique historical trajectory; (ii) the relationship between the resources possessed by the organization and its competitive advantage has causal ambiguity; and (iii) the company's resource generation is socially complex. According to Saes (2008) the unit analyzed in the RBV's perspective is not consensual, because it includes other definitions, such as: activities, strategies, processes, routines, *capabilities* and others.

d) Resources can resist replacement when other companies cannot implement a similar strategy with equivalent resources.

Because of that, the RBV is linked to the complexity of the constant movement of reflection and consolidation of practices and strategies, and assumes that the company is a portfolio of physical, financial, intangible, organizational resources and human resources.

WILLIAMSON (1999, p. 1096, *apud* SAES 2008) states that the prospect of RBV "capabilities" can respond as well as TCE issues related to the existence, structure and limits of the company. He also states that the main factor explaining the existence, the limits, the nature and the company's development, is the ability of an organization to protect and develop group skills and individuals inside it, in a changing environment.

Proposing a theoretical relationship between RBV and organizational learning, Teece and Pisano (1997), see the company as a superior system and structure that becomes profitable, not because of strategic investment in entry barriers or price war, but because it focuses efforts on specific resources of a company. To these writers, the perspective of the RBV recognizes, but does not try to explain, the isolated nature



of mechanisms that consolidate earnings related to entrepreneurship and how the competitive advantage sustains itself. They also add that the competitive advantage is present in idiosyncratic resources and is hard for the organization to “imitate” it. The RBV approach invites the development of new dynamic capabilities (integrative capacity to develop new sources of competitive advantage) for the management strategies. If the control over scarce resources generates profits, it becomes necessary to obtain new skills, new knowledge management and knowhow.

Therefore, the fundamental strategic question at stake is an organizational learning (TEECE; PISANO, 1997). This necessity for the development of dynamic capabilities is critical for companies that operate in segments with low asset specificity, in which the processes of learning and people’s actions, from the *knowhow*, are main elements that make a difference in more homogeneous markets. This way, the RBV’s approach may help to explain the performance of companies that have low or no asset specificity.

## COMPLEMENTARITY BETWEEN TCE AND RBV

The complementarity between RBV and TCE has been studied quite a lot lately, however, according to Jacobides and Winters (2005), despite the recent advances in understanding how transaction costs and *capabilities* of a company combine themselves to determine the boundaries of the company, many gaps remain and need to be studied. Jacobides and Winters add that:

[...] in the last few years, a convergence between these two theories has started, creating a more satisfactory account of

what drives vertical scope. Transaction cost economists, in particular, now accept that we cannot fully understand choices of scope without assessing the resource bases of firms (JACOBIDES; WINTERS, 2005 p. 396).

According to Argyres and Zenger (2008), the false dichotomy between the TCE and RBV finally emerged, because, according to the authors, both are linked and should be integrated as a single theory of the company, helping to reduce the criticisms suffered by every approach individually. In accordance with Foss and Foss (2004), the integration between TCE and RBV brings new *insights* about a company’s analysis of sustainable competitive advantages.

Augusto and De Souza (2010) say it is possible to see that the complementary view of TCE with RBV is more capable of embracing completely aspects related to the choice of a company’s boundaries, minimizing individual limitations of these approaches in terms of strategic analysis. It also identifies potential complementarities between the two approaches as shown by the following

Saes (2008), *apud* Foss (2005), compares the applicability of the two theoretical approaches emphasizing that TCE aims to explain the existence, the limits and the internal organization of the company. Now, the RBV was initially developed to explain a company’s sustainable competitive advantages. The RBV included, in the course of time, traditional issues of TCE in their discussions, for example, the reason for a company’s existence and the factors that determine the internal organization of the company. The author even adds that the TCE depends on structures derived from the economic mainstream and emphasizes incentives, information asymmetry, property

TCE	RBV	Connection points between TCE and RBV
Discusses the hierarchy due to overcoming market failures	Discusses the hierarchy's virtues in the generation capacity of a company	Both discuss the hierarchy virtues
Asset specificity	Strategic resources and capabilities	Both are hard to commercialize and imitate
Limited rationality Asset specificity Property rights	Resources' heterogeneity	Different limited rationalities, asset specificity and property rights between the companies also are heterogeneity
Identifies which governance structures will reduce the transaction costs	Identifies which resources bring competitive advantages	Identifies which governance structure is more efficient to explore the company's strategic resources
Control is more related with the minimization condition of uncertainty	Control takes place on different features and capabilities in order to maintain their non-mobility status	Control even targeted to the reduction of mobility of resources allows for the answers under conditions of uncertainty to become quicker

**FIGURE 3 – Connection points between TCE and RBV**

Source: AUGUSTO; DE SOUZA, 2010.

rights and contracts. The RBV, on the other hand, originates from behavioral research, strategies, and organizations, while focusing on limited rationality, routines and capabilities. Still, according to Saes (2008, p. 62), the TCE disregards gains from the production team and even the heterogeneity of companies, which in turn are central in the RBV.

According to Augusto and De Souza (2010), the two approaches' complementarity also becomes clear when it comes to asset specificity. This is due to the company's strategic resources, which once mobilized and processed, can generate asset specificity and, therefore, can be analyzed from the TCE instrument. This way, we understand in this study that the asset specificity only exists from the mobilization of the company's dynamic capabilities based on their existing and developed resources throughout its history. For this study, this is a support point of interconnections between the two approaches.

### THE CONTEXT OF STUDY

The asset specificity and the rarity of a company's existing resources are elements, which can base the theoretical review conducted in this work, which seeks to explore

the convergence between the transaction cost's theory and the resource-based view. In this way, we tried to analyze the competitiveness of companies active in departments that, traditionally, have low occurrence of specific assets and low scarcity of resources and observe how the relationship between these two elements (or their absence) operate in the generation of the company's competitiveness.

As a result, we chose to study two companies related to the confectionery industry, which is composed by companies whose governance structure is, predominantly, of the market. In addition, this segment was chosen because in them we can find companies that perform activities, which can be easily replaced by domestic manufacturing, thus revealing the tendency of low asset specificity found in the active companies in this segment. However, even within a spectrum of low specificity, few companies can create assets with a level of specificity. Both analyzed companies fit into this profile, since they managed to generate specific assets, which, sustained by strategic resources, ensure a competitive advantage to the companies.

The first company (confectionery A) is located in the northeast of the Rio Grande do Sul state in Brazil. The company is a confectionery operating in the region for 20 years, which started its production in a very limited way catering only to relatives and friends of the founding member. However, the company has gradually grown and is currently considered a reference in the confectionery segment in the region it is located in.

It should be emphasized that the first confectionery analyzed concentrates all its production in the main store, which has 2.300 m<sup>2</sup> of building area, where all of its sweets, pastries and cakes production is held. At the main store, there is also a service area, which has about 300 m<sup>2</sup>, where customers can buy, eat goods and have drinks.

Even though it's a family business, the company currently has more than 130 employees and has about 200 items in its product mix. All this product variety, as mentioned, is held at main store, which produces all the goods to supply three branches located in a nearby town. The production held in the main store also supplies supermarkets, bakeries and coffee shops located in five other towns of the region and in the metropolis of the state. It is worth noting that the supply of all branches and other stores served by the confectionery is made through its own distribution system with daily deliveries.

The second company analyzed (confectionery B) consists of a family business active in the market for 15 years, in which its production is centered around the business owner. All sales are made only by ordering first and include cakes, sweets and pastries. The production is held at the owner's house, who works with 3 people who help out to be able to make the orders on time.

This confectionery's actual production

can reach 30 cakes per day, especially in the weekends where the demand is higher. Few of confectionery B's deliveries are made by the owner's husband, who doesn't have a specific car to deliver the goods, so customers pick up orders at the confectionery.

## METHOD

As mentioned, the present study was set in a family business confectionery in the northeast of the state of Rio Grande do Sul, Brazil. To develop the study, qualitative research was employed, which according to Skinner, Tagg and Holloway (2000), focuses on the analysis experience of people in relation to events, procedures and structures. The research developed is characterized by a case study, consisting of empirical research, based strongly on field work (YIN, 2005).

In order to capture the perceptions of those involved on the subject under study, individual in-depth interviews were held with the business partners (business partner A and business partner B), one of them active in the production part and the other in the administrative part of the company. The purpose of using in-depth interviews was to discover the beliefs, convictions and attitudes of those being interviewed in relation to the subject being studied.

The instrument used in the research field was a semi-structured questionnaire, consisting of open questions. Each interview lasted approximately 45 minutes and after the interviews, we proceeded to do their transcripts and analyze the content of the collected material. Content analysis according to Bardin (2004) consists of a set of analysis techniques of communications, which aim to generate an objective description of the systemic and symbolic behavior.

Regarding the organization of the content analysis process, the present study observed the steps suggested by Bardin (2004), as shown below:

a) Organization of the analysis: it is a preliminary step, a period of intuitions, which aims to systematize and make operational the initial ideas, in order to conduct a precise outline of the development of successive operations, in an analysis' plan. At this stage, it establishes the first contact with the material (text), or floating reading, according to Bardin;

b) Coding is the process by which raw data is systematically transformed and aggregated into units, which allows for an exact description of the relevant characteristics of the content;

c) Categorization: This operation classifies the constituent elements of a set by differentiation and then by regrouping according to gender (analogy), with pre-established criteria. The categories are items or classes, which bring together a group of elements under a generic title, which is made because of the common character of these elements;

d) Inference: It is the intermediate step between the description and interpretation of data collected.

## RESULTS AND DISCUSSION

In this section you can find the analyzed results of the collected data on the interviews, aiming to explain the reasons of the company's competitiveness through TCE and RBV links. The results are shown accordingly with the asset specificity's categories and identified resources and capabilities.

In the first analyzed confectionery (confectionery A), despite being a segment of low asset specificity, it was possible to

identify one specific asset. It is the traditional standard of the company's products, in other words, the confectionery A developed, in the market segment which operates, the idea that their products always have a quality standard able to meet the expectations of the consuming public. This asset reflects the credibility of the brand and allows the company to succeed in launching new products even when they are beyond the company's original scope. A good example can be observed in the great number of internet sales of chocolates and Easter eggs produced by confectionery A. These products are not considered traditional along the line of the company, however, they reached the impressive number of 2000 Easter eggs in less than two days. The explanation for this may be seen in the speech of the confectionery's business partner I:

**Confectionery's Business partner I:** Even a different product, that's not a cake, carries the name of the company [...] the customer can think: "if the cake is good, the chocolate is also good". Our products carry in their brand the idea of a homemade product, of a good product. A customer even said to me the other day that when he saw on a website that the Easter egg had the company's brand, he bought it straight away because he knew it had good quality.

Based on the understanding that the specific asset of this company can be considered tradition in the standard of products' quality, which is configured as a specific brand (WILLIAMSON, 1991), the resources internally developed by the confectionery A have been identified and they are able to support the specific asset of the company.

The first identified resource is the learning process established by the company. It is worth mentioning that the company's history is closely linked to how their goods have been developed, as mentioned below by the two business partners. These are skills, knowledge and personal experience specifically developed in the business process.

**Confectionery's Business partner 1:**

The woman (founding member already deceased) was making cakes in her home, such as "*marta rocha*" and "*rei e rainha*". The other types of cake we started developing here. We usually go to fairs in São Paulo and visit confectioneries there. If we like what we taste, we take a slice home. Then, we start to analyze the cake ingredients: this one has nuts and condensed milk, for example. And then we start making and tasting them. We try lots of times until it is made the way we want it. Sometimes it takes time to make the cake the way we think is best.

**Confectionery's Business partner 2:**

The woman (founding member already deceased) had "great hands" to make the goods. We used to give her taste tips and she started making the cakes and most times, she got it right. She used to make the same recipe 20 times to make adjustments and make it right. So, I believe her persistence in doing something different and bringing a homemade taste brought us the success.

This work strategy based on "trial and error" is very much rooted in the various companies' internal processes. The "know-how" to make the goods in all their stages remains reserved for only a few people. The division of production duties makes it impossible that all employees learn all recipes. This way, it is possible to protect this asset or strategic resource, the "know-how".

Another strategy used by this company is the vertical integration of a large part of production operations. The goods are produced from basic ingredients (eggs, fruits, double cream, etc.) and they aren't industrialized. This characteristic is identified as a central value in business, and according to the interviewed, it has guaranteed the goods' "homemade taste" reputation, which does not happen with the competitors, as they use many industrialized products to reduce costs and production time. This specificity is identified with a rare resource utilized in the company's favor.

**Confectionery's Business partner 1:**

If you use "boxed" products everything tastes the same, and it would cause us to lose customers because they don't want that. What is the purpose of buying a strawberry flavor whipped cream powder if I have good tasting strawberries to make it with real fruits. I believe that all products have to be homemade and not industrialized ones.

Another important point is the fact that confectionery A makes all of the bread utilized to make the "cold pies". The interviewed emphasized that they'd already tried to outsource their production to another bakery in the region, but they chose to produce it internally to guarantee the quality and bread standard which is the main ingredient of the confectionery's line of products. Other identified resources regarding human and technological assets acknowledge making the production process meet the demand on time. This happens because, depending on the perishability, the goods need to be quickly produced to be consumed as quickly as possible. This resource is represented by the company's capacity to make big quantities in a short

time (weekend when the demand is bigger) and, on the other hand, align its production schedule to prevent any surplus, which guarantees that the commercialized goods are always fresh. This fact supports the confectionery A asset specificity and can be observed in the speech below:

**Confectionery's Business partner 2:**

Many times we have to make a big production effort to obtain results in one or two days maximum. On Mother's day, for example, we have a high volume of sales and we have to produce everything within a short period, because we can't stock any goods, they're not like shoes. [...] We always have to be careful with the waste. We have a large mix of products and we need to calculate how many we have to produce of each item so that we do not miss something that our customer wants, and so we do not produce a lot of a product, which goes to waste at the end, causing us to lose money.

Still, talking about the resources developed by the confectionery A, it is worth mentioning the mechanism for the distribution of goods. The company's products, in which all of its production is centered at the main store, are delivered daily to the branches, to supermarkets and to another confectionery, which is located 120 km away from the main store and sells only goods from the confectionery studied. For that, the confectionery has its own cars, which supply all clients with cakes (around 400 per day), pastries (around 20.000 per day) and sweets. The vehicles are appropriate for food delivery, making the goods stay cold and immobilized all way.

Finally, it is also worth mentioning that the company goes through a growing dilemma in relation to the necessity to professionalize their operational and manage-

ment team. The business partners do not intend to provide the employees with the recipes and face the dilemma between maintaining the quality and reputation and at the same time increasing the volume of production. This is evident in the second business partner's speech below:

**Confectionery's Business partner 2:**

In the way we develop our production, we have the necessity of a lot of "man-work". In addition, if it stays the way it is now, in 10 years, few things will change. Our price will end up being much higher than the competitors are. It is very hard to increase the price without adding anything new, beyond what has been done today. Therefore, I am afraid that the industrialization of the process will end up coming in place of what is now being done.

The business partner 2 worries, shown above, lines up with RBV, along with Teece and Pisano (1997, p. 514): "[...] if the control on the scarce resources generates income, it becomes necessary to acquire new skills, new management knowledge and "know-how". Therefore, the strategic key at stake is the organizational learning. The concern with the need to learn how to learn is evident at this time. The learning process and development of products based on experimentation is valuable to the company, relative to the history of its unique trajectory, presents causal ambiguity for competitors and is socially complex in the environment in which it develops. So, this resource has allowed the company to devise and implement efficient and effective strategies according to Barney (1992).

In fact, it is clear that the company's "production process" and "production", with all its particularities built throughout the history of the company, is the founda-

tion, the company’s fundamental strategic resource and generator of competitive advantage. Below Figure 4, is a summary table based on asset specificity and identified resources identified in the case studied.

Now, the confectionery B has very different characteristics from confectionery A, since it is a company with handmade features and is very informal. The organizational structure is reduced to the owner, kitchen staff and the husband of the owner, who eventually helps in the delivery of orders. As usual, the ordered products require customization as they are for parties such as birthdays and weddings, where customer service is personalized and is performed individually in the home of the confectionery’s owner.

The owner says that there are some standard types of sweets and pastries in form of a menu, but the customer can change those choosing different flavors and, especially, the product’s visual aspect. It is common to customize sweets with the name of the customers. Another important issue is the ability to model the sweet pastry in several formats, including flowers, hearts, or even cartoon characters, well suited for children’s parties.

As such, it is understood that the ability to customize orders is a specific asset of confectionery B, as can be seen in the words of the owner:

**Owner of confectionery 2:** [...] I started producing sweets and pastries in small quantities. I am good at it. Then, one person tells another and I became well known. I decided to learn how to decorate cakes and pies and this helped me. When I realized, I had my own business. I like to make customized orders, where one is different from the other, made just as the customer orders. They’re delicate, and while it gives me a lot of work, I still like it.

The main products of confectionery B are the small sweets and custom shaped cakes with words or initials of customer names, or with allusive themes of the event. The owner of confectionery B adds that this is the differential of her business.

**Owner of confectionery 2:** We seek to meet what the customer wants, even if it requires more work. We can’t miss out on the order. It is delicate work and you must have a good hand for that. My sweets are always shaped and decorated according to the theme of the customer’s party. It takes time but it is fine because the customers make orders in advance.

The confectionery B owner already participated in various courses for decorating cakes and sweets and believes that despite being important, the key is to have the skill and patience to deal with each order.

**Owner of confectionery 2:** I have good hands to make sweets, I have patience.

CONFECTIONERY A	
Asset specificity	Strategic resource
STANDARD PRODUCTS (the products developed have a loyal high standard quality which meets the expectations of its customers)	Learning process and product development
	Do not use pre-prepared products (guarantee of what is called “home-made” taste)
	Internalization of processes
	Ability to intensify production in periods of high demand
	Accuracy in forecast demand for products to avoid waste
	Own distribution

**FIGURE 4 - The Authors**

CONFECTIONERY B	
Asset specificity	Strategic resources
PRODUCTS CUSTOMIZATION	Informal organizational structure allows a personalized customer service.
	Reduced organizational structure, informal, low operational cost.
	Knowledge and ability to produce personalized sweets and pastries.
	Networking – owner well-known, good reputation.
	Flexibility and adaptability to different types of orders and payment forms.
	Partnership with an organization party business.

**FIGURE 5 – The Authors**

Time flies when I’m doing it. And I also earn money. [...] I have done courses but I think that enjoying this work is the main key. I like to invent. It is a pleasure to see the orders in the boxes ready to be delivered.

Unlike confectionery A, confectionery B uses some pre-prepared products for the preparation of its recipes. However, the owner of B does not believe that this is a problem nor that it will interfere with her business. The owner’s concern about the future of her business was noted, because today almost all the production and sales are done by herself. Regarding the competitors, the owner does not seem to be worried, because she always has orders. To add to this, she says that her company’s differential is hard to be copied by her competitors, especially by the big confectioneries.

**Owner of confectionery 2:** [...] I think that the business is doing well. I can’t complain. I never wanted to move the business to another location. I would need more people and it gets harder. I always have orders and I can make them on time. I have competitors and have ones bigger than me, but I have my clients and I am happy. Besides, the competitors do not customize goods as I do. This is a differential.

In confectionery B, all business is centered on the owner’s talent who knows how to adapt to client necessities. It is important to say that confectionery B prices are not so different from confectionery A prices. According to the owner, this price

comparison is frequent by clients because they always compare with other prices of competitors in the region.

Another important thing for confectionery B is the business flexibility regarding the orders (she accepts varied orders in terms of quantities and variety) and also regarding the payment forms. It is possible to negotiate how to pay for the order. Even facing an informal negotiation, the owner trusts that her clients are going to pay accordingly.

There is also an important resource for confectionery B, the partnership with a company, which organizes parties and decorations. The sale of the complete party can be proposed to clients. This partnership has helped confectionery B promote its products.

**Owner of confectionery 2:** [...] if the client wants, we organize the whole party. If so, it is not only me, a friend helps me with that. She earns money and I do too. We organize birthday parties, weddings, and baptisms.

The Figure 5 presents the main resources and asset specificity identified in business B.

## CONCLUSIONS

In the present study, we attempted to investigate and explain the company’s competitiveness, starting from the main premise that the identification of strategic resources and asset specificity are the factors that explain the company’s success, as several au-



thors cited in this study profess. In regards to this, and based on the complementarities between the TCE and RBV approaches, two confectioneries in the northeast state of Rio Grande do Sul were analyzed.

It was identified that, even operating in a segment of low asset specificity, both confectioneries, A and B, are able to implement strategies that allow their company's maintenance. In both companies analyzed, there are sets of strategic resources developed throughout the history of each organization, which are mobilized to produce specific assets for each one.

The RBV helps to comprehend the human resources' process of involvement, connected to *learning-by-doing*, a determinant to the organizational learning process, added to physical assets, that can determine the way to make your product (standard or flexible) for each company. Different levels of asset specificity between the two companies, even within one segment of low specificity, was also observed.

In this study, it was observed that confectionery A has, as its asset specificity, the recognized standard of their manufactured products. This asset was developed based on resources that allowed, throughout its history, the company to consolidate itself as a product supplier whose quality is aligned with the expectations of its customers. Similarly, confectionery B also survives in the market with very low asset specificity. The identified specific asset, in this case, regards the possibility of product customization. In this way, being able to adapt the product to

their needs, the customer meets their level of expectations.

So in both confectioneries, it is possible to observe that, even with a business that has low asset specificity, it was possible to develop resources capable of generating a specific asset directed to meet their target group expectations. And, through this specific asset, both companies are able to establish itself in the market and ensure their competitiveness.

We believe that the link between RBV and TCE is the mobilization of strategic resources (previously static potential elements) and in the operationalization of dynamic capabilities of the organization, which act in the generation of specific assets that contribute to the business success. The RBV helps to map such makers' resources and understand the idiosyncratic aspects of the business. On the other hand, the TCE focuses on the transactional aspects, which may justify the business, such as the brand, tradition and reputation, from the uncertainty analysis frequency and specific assets, key elements of the transaction.

For future studies, we believe it to be possible, to seek, highlight and strengthen the relationship and complementarity between TCE and RBV out of other cases, expanding the focus and analysis of ways of governance. In the present study, it is understood as a limitation to approaches to critical discussion of TCE and RBV. The field study of the dichotomies and similarities of the two approaches is still not very explored, creating a fertile ground for research.

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