

# “Keep” or “Unkeep”? The Dilemmas of Carpello Alimentos

## “Conservar” ou “Desconservar”? Os Dilemas da Carpello Alimentos

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### ABSTRACT

This teaching case presents the trajectory of Carpello Indústria e Comércio de Alimentos Ltda., a successful producer of canned foods from Mato Grosso. In 2019, after about two decades of growth and structuring of its activities, the company received a million-dollar proposal to sell its brand to a multinational in the sector, already operating in Brazil. Besides being a real situation, the case encourages students to develop reflections about strategic decision sets, portrayed as dilemmas, usually common to successful small and medium-sized companies: sell the business or continue its expansion. To this end, the Resource-Based View is suggested as the theoretical basis. The application of the case is recommended for undergraduate and graduate courses, specifically in disciplines such as Strategic Planning, Entrepreneurship, or any others that aim to develop the relationship between resources, capabilities, and strategies. This case contributes to the discussion of the application of the RBV in small and medium-sized companies by analyzing the resources and capabilities available in the company and the possible combinations among them to generate value.

**Keywords:** Resource-Based View; Strategic Resources; VRIS; VRIO.

### RESUMO

O presente caso de ensino apresenta da trajetória da Carpello Indústria e Comércio de Alimentos Ltda., uma bem-sucedida produtora de alimentos em conserva, localizada em Mato Grosso. Após quase duas décadas de crescimento e estruturação de suas atividades, em 2019 a empresa recebeu uma proposta milionária de venda da marca para uma multinacional do setor, que já operava no Brasil. Além de se tratar de uma situação real, o caso instiga os estudantes desenvolverem reflexões acerca de dois conjuntos de decisões estratégicas, retratados como

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RESUMO

dilemas, comuns à pequena e médias empresas bem-sucedidas: vender o negócio ou continuar a sua expansão. Para tanto, sugere-se como base teórica a Visão Baseada em Recursos. A aplicação do caso é recomendada para cursos de graduação e pós-graduação, especificamente em disciplinas como Planejamento Estratégico, Empreendedorismo ou quaisquer outras que objetivem desenvolver a relação entre recursos, capacidades e estratégias. Este caso contribui para a discussão da aplicação da RBV em pequenas e médias empresas, ao analisar os recursos e capacidades disponíveis na empresa, além de possíveis combinações entre eles, visando a geração de valor.

**Palavras-chave:** Visão Baseada em Recursos; Recursos Estratégicos; VRIS; VRIO.

## The flourishing of Carpello Alimentos

On a morning in September 2019, Daniel Brolese reflected on his legacy as owner of Carpello Indústria e Comércio de Alimentos Ltda. That week, he received a proposal to sell the brand to one of the world's largest companies in the food sector. And now? Solve his family's financial life or continue running the company? This dilemma was even more complex because, in the northern region of Mato Grosso, Daniel felt like a pioneer, a migrant originally from the southern region of Brazil who came to "Nortão". If he chose to move forward with his business, "the future would be uncertain and challenging". The company's growth would require, sooner or later, an important decision: to position the company as a genuine small-scale, high-added-value artisanal business, or as a large-scale food producer. Daniel knew that whatever decisions he made would change the rest of their lives.

Carpello Alimentos was created on August 26, 2002, by Daniel Brolese. The brand name Carpello originates from the anatomy of plants. Carpels are modified leaves of the flowers that form the reproductive organ that gives rise to the fruit. It is a well-known regional company, located in the north of Mato Grosso, precisely in the city of Sinop. It operates in the food sector, specifically in the canned vegetables, hearts of palm, and spices industry, and common foods in the consumption basket of families in the Rio Grande do Sul. It started its activities with a focus on two raw materials for preserves, cucumber, and the heart of palm, mobilizing an initial capital corresponding to R\$ 140 thousand.

Daniel thought about the number of challenges he couldn't even imagine being able to overcome. In the company's trajectory, not everything was in fact "flowers". Interest in the food industry had not been new. Years before, together with his older brother, he had set up a small artisanal production of preserves to meet the need for a family restaurant, at the time he was studying technical education in Food Engineering. The family business was located in the city of Santa Cruz do Sul, famous for hosting Oktoberfest in the Rio Grande do Sul. When he saw the "blossom" of Mato Grosso, the destination of many countrymen, he opted for the transition of the region, without abandoning his vocation for the sector.

Longing, he recalled that after settling in the northern region of the state, in 1997, and opening a small restaurant, he had noticed an interesting opportunity: a small fruit pulp factory in the city. That was the opportunity to explore the knowledge gained and resume canning production. With a cold room, and some equipment for sterilizing pots and processing vegetables, Daniel started producing cucumbers on a small plot of land next to the factory. At that time, with a lean structure, he remembered that his feeling of belonging to the company was much more as an employee than as an owner, as his life was "hands-on", or rather, "hands-on".

With more ups than downs, in just two years Carpello moved its manufacturing park to a bigger plant. Brolese had managed to gather some savings, which, together with financing, allowed him to acquire the new factory. Space was vital for the growth of production, very limited in the old structure. With more space, he was able to organize the company's production and install the necessary equipment to produce new varieties of products.

However, going ahead alone would be unfeasible. The coming scenario would not be just flowers! With no new credit opportunities, working capital, and even higher fixed costs due to the new space, Daniel had to put in place solutions to keep the doors open. One of them was the establishment of partnerships with local producers to supply the raw material needed for production. In the Sinop region, rural producers had no tradition in the production of vegetables, such as cucumbers. For this, it would be necessary to find and train family producers. This was a critical point that hampered the company's development. Noting the lack of training of potential partners in the food production of the canning factory, he had to put his "hand on chalk", as he often expresses it.-

*"I had to do the job of training and seeking support from the state and other support entities to train small producers."*

Now as an entrepreneur, farmer, food technician, or even an instructor, Daniel was proud. From his initiative, over the years, a group of approximately 40 small family producers emerged, who are his partners to this day. The proximity to the producers ensured greater regularity in the supply of raw materials for production, mainly cucumber, pepper, and the hearts of palm. In addition, they were high-quality products, mainly because they were fresh. As the years passed, Daniel understood that the advantages of the company's products were the quality of the raw materials and the quality standard of production, which guaranteed greater validity, even without the addition of preservatives. The combination of the supply of local raw materials from family farming and the developed mode of production had helped to conquer the palate of consumers in the region.

To ensure productivity and maintain an area for training its partners, Carpello also maintains a small area for its production. This helps to give regularity to the factory's production, which sometimes faces complex periods due to the specific sensitivity to the handling of these crops and the volatility of sales prices. The company owns around 35,000 cucumber plants and 5,000 peach palm trees for the production of palm hearts. Sinop, located on the Amazon frontier, is one of the largest grain producers in Brazil.

Daniel was proud that he was no longer a type of entrepreneur who sees the forest as a resource, but rather as a good for all. Fearful, he followed over the years, with a mixture of sadness and indignation, the cases reported in the newspapers about the devastation and environmental crimes. Carpello needs to do its part!" – he proclaimed. That morning, as I read the news on the websites of nationally circulated newspapers, I reflected on how I strived to deliver quality products, based on the agroecological production network based on family farming that I helped to develop in the region. *"- We do not use preservatives in our products and our recipes are a family secret. Only I and one other collaborator know the details. We have a longer cooking time and other little secrets. It takes longer and is more expensive. But the taste is incomparable and we managed to have a good shelf life with these products, which makes us very different in the market. Two years on the shelf is a long time for*

a product without preservatives" – he exclaimed to himself that day, trying to understand his strengths in the face of the proposal he had received.

Figure 1. Company product lines



Source: Carpello (2021).

Reiterating a trajectory marked by challenges, other difficulties occurred, especially in the regularity of supply from producers. Logistics was also a challenge, as some deliveries cover distances ranging from 200 to 300 kilometers. In situations of shortages or production breakdown, the company needed to turn to suppliers further away, in the northwest region of the state. For this, it had been necessary to spend resources on trucks with appropriate greenhouses and on new training for employees and partners.

#### HOW DID A SMALL BUSINESS AROUSE THE INTEREST OF A MULTINATIONAL?

The company manager is aware that he provides a differentiated product to consumers, with the potential to develop other product lines in different markets. The entrepreneur thus summarized some of the company's values. *"- Here at Carpello we produce everything with a lot of love, we follow the teachings of our "nonas" to produce our recipes. The preparation at each stage is detailed, the selection of products, washing, and cooking, everything is done as if we were preparing a meal for our family. This makes our product different."*

In 2018, the company planned to expand its product line, complementing vegetables and jams with the ready-made sauces and spices lines. This diversifica-

tion of production required a high financial investment. Daniel is convinced that the Carpello brand is recognized in Mato Grosso for offering superior quality products. There are 78 cities served with regular orders, including those from other states. Such facts indicated real possibilities for expansion.

After a time of solitary reflection on the proposal received, Daniel was joined by his partner and wife, Rosângela. At Carpello, customers are expected to be treated as "members of our family". Proud, he reminded his wife that in 16 years of existence, he had only two episodes of dissatisfied customers, reported by the company's Customer Service (SAC):

*"- We listened to what they had to say, corrected our process, and looked to improve even more. As a thank you, we present these customers with a basket containing a pot of each of our products accompanied by a thank you letter, for helping us to improve our work even more."*

Care for quality allowed Carpello to establish a virtuous cycle between production – processing – marketing. Families that supply raw materials are encouraged to produce quality food organically. This generates a commitment to a more sustainable type of production, encouraging a mode of production quite different from the one prevailing in the region, in which the production of commodities reigned supreme. His wife reminded him of an important point:

*'- We still have a lot to learn on the way to sustainability, as we depend on glass and plastic packaging for our products.'*

Rosângela was a partner in every way. In Daniel's absence, she was the one who helped keep the company running smoothly. This reinforced the family character of the business. Together with his wife and one of his children, he managed to overcome numerous challenges.

*"- Our company is familiar and needs the modernization that the market demands",* said Rosangela to the partner.

Pursuing organizational restructuring, resizing the workforce, and positioning more clearly "what" Carpello would be in the coming years are ways for customers to "understand our philosophy. The love we put into each product will make all the difference to Carpello's growth," she added.

At Carpello, each member of the family management assumes responsibilities: Rosângela is responsible for the financial area; André, the youngest son, is on the company's board, in charge of communication, considered a fundamental professional when thinking about the company's future.

*"- Everything that involves movement passes through your hands. You take care of everything like a great mother; he knows the details of each part of the company, he knows what the needs are and, above all, he knows when he will be able to meet them",* mentioned Daniel.

Concerning production, the crafting recipes kept requirements that started at harvest. Seeking to follow the rhythm of nature, as usual, the products were harvested at dawn, to ensure freshness and flavor. Generally, transport to the company takes place in the early hours of the morning. After the raw materials are unloaded in an acclimatized room, they go through a process of washing and selection.

With the experience of a good cook, Daniel established that each recipe should follow a quality standard in the manufacturing process. This fact influences the reduction of waste and the raising of the quality level. While continuing to reflect on the strengths of the business, Daniel emphasized intimacy with the production process:

*"- We work with closed production cycles by recipes in two sectors, to avoid contamination, not by bacteria, but of aromas and flavors. We want the pure flavors and aromas of each product. For this, separating production by recipes is essential."*

The packaging sterilization process is also another point of care and attention at Carpello:

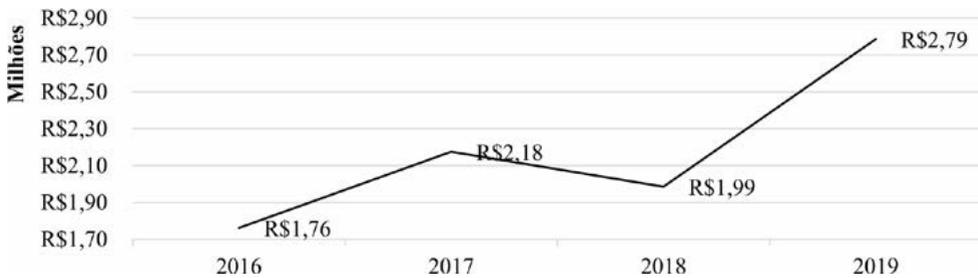
*"- Our packaging is new and of high quality. We know that glass is an expensive material and that it has an impact on the environment. However, the quality and safety that new glass offers to the sterilization process and food packaging are very important for our team and our customers. That's why our packages are soaked in a decontaminating solution for twelve hours, and then they are washed in water at seventy degrees Celsius, and only then, they do enter the production line to package the food."*

About the financial issue, throughout its 17 years, Carpello has gone through ups and downs. Rosângela reminded him that:

"- Little by little, we organized ourselves and expanded our production. We cannot say that we are a company without debt, but I do not believe that in Brazil there is not a company that does not have financing or installments to pay. Today we depend less on this type of resource, but we do not give up on them for the expansion of the company."

In recent years, the company has pointed to an upward trajectory in its gross sales. Daniel had this as a source of optimism, in his view, the numbers reflected how the market demanded the company's products. The annual turnover is represented in Figure 2.

Figure 2. Annual billing for the last 4 years



Source: survey data.

In its trajectory, Carpello sought to improve the production process, invest in equipment and employee training, and maintain the quality and flavor of artisanal products, with traditional recipes from the Brolese family. Seeking a better understanding of the canned products sector and the improvement of recipes, managers invested in participating in fairs and gastronomic events in the country and abroad, which brought new recipes and increased the production process.

However, the entrepreneur consciously feared that the added value of his products alone might not be enough to make national expansion viable. Would mass production be the company's future? Would customers from other states accept paying even more for a high-quality preserve, produced by hand? What would be the value of the financial contribution needed for market expansion? Would the Carpello brand be accepted in other regions of the country? Is it possible to make large-scale production compatible with the quality and originality of the products? Would it be necessary to automate production, leave family farming, move away from agroeco-

logical planting and embrace large scale to make a Carpello viable throughout the national territory? These issues would soon be secondary. Something would happen that would shake the company and the Brolese family's projects.

### **"CONSERVE" OR "DECONSERVE" THE CARPELLO BRAND?**

Although "deserving" is a neologism, soon the businessman would be facing its manifestation. The growth in Carpello's revenue, together with the recognition of the quality of its products, aroused the interest of some companies in the sector. Some made proposals for partnership and others for acquisition. However, they were always refused by the family, as the managers believed in the company's potential and the quality of the product menu.

The food sector offered opportunities to entrepreneurs. According to the Brazilian Food Industry Association (ABIA), the domestic market had revenues of around R\$573.3 billion in 2020, exploiting only 70% of its installed capacity. In the canned products sector, the increase was 5.4% in 2019. In 2020, the market suffered a slight reduction, due to the impacts caused by the emergence of the COVID-19 pandemic. In that scenario, in September 2019, the businessman received an unexpected proposal to buy Carpello. A multinational company, located in the southern region of the country, recognized as one of the largest food companies in the world, presented a "tempting proposal for a small company like Carpello". For Daniel, the proposal involved

*"- 8 million! A 7-figure offer! We have debts to honor - and this is an amount that would fix the lives of the entire Brolese family!"*

The proposal to acquire Carpello was based on two main points: rights over the use of the brand by the buyer and appropriation of the production process that Daniel had developed, based on the revenues of the respective "ninths". The first consisted of exploring the brand as a buyer's product line, integrating part of the multinational's portfolio. In the proposal, the Carpello brand would continue to exist as a product line of the multinational brand. In this case, the brand would be a high standard line, with a rebranding to enhance the added value, already known by its customers in the region, which would allow the brand to be boosted nationwide.

The second relevant point of the negotiation was the process of transferring knowledge of artisanal production without the use of preservatives. Daniel would

have to assume the commitment to lead the production sector of the acquired company for five years, receiving a fixed salary, plus 2% of the profits at the end of each semester. Once the acquisition is completed, the process would be standardized and transferred to other industrialization plants of the purchaser, within a year. According to the proposal, payment for the sale of the brand would take place over four years, with a down payment of 50% and the remainder in three years with annual payments of 20%, 20%, and 10%. I, on the one hand, the entrepreneur was faced with the biggest decision of his life, on the other hand, he was comforted, as he was more certain that only a company recognized for the quality of its products would receive an offer like that. That morning, after looking for a few minutes at a photograph of the company's facilities, Daniel sketched on a piece of paper a summary of the company's characteristics and the value of the proposal, transcribed in Table 1.

**Figure 3.** Installations of Carpello Indústria e Comércio de Alimentos Ltda.



Source: Carpello, (2021).

**Table 1.** Summary of Carpello's characteristics and the proposal received

|                     |   |
|---------------------|---|
| Size of the company | Small Business - EPP                      |
| Management          | Family management                         |
| Operating segment   | Canned foods                              |
| Location            | Sinop, the northern region of Mato Grosso |

|                                 |  |
|---------------------------------|--|
| Starting capital                | R\$ 140 thousand                       |
| Number of collaborators         | 35 direct and 15 temporary             |
| Plant production capacity       | 3 thousand canned goods/per day        |
| Providers                       | 40 small agroecological producers      |
| Main market                     | Mato Grosso                            |
| Distance from the state capital | 501 kilometers                         |
| Proposal value                  | R\$ 8 million, receivable over 4 years |

Fonte: elaborado pelos autores.

And now? To sell or not to sell the Carpello brand? If not, which way to go: maintain a leaner and more artisanal production, provide a differentiated product, or embrace other markets with large-scale and industrialized production?

## Teaching Notes

### TEACHING CASE SUMMARY

The case of Carpello Indústria e Comércio de Alimentos Ltda. encourages students to reflect on two sets of strategic decisions, common to successful small and medium-sized companies: sell the business or continue its expansion. For that, some information is provided, such as the brief history of the industry, central aspects of the company, financial information, and the production process of canned foods. The narrative provides elements for students to identify resources and capabilities developed by the company that led a major competitor in the food industry to carry out an acquisition proposal, even though it is a company far from the large urban and industrial centers of the country, which in itself it's just revealing.

### EDUCATIONAL GOALS

The purpose of this teaching case is to provide a discussion on how resources and capabilities can guide decision-making and strategic positioning, especially in small and medium-sized companies linked to family management. It is worth noting that teaching cases related to suggested theoretical discussion or guided by

contexts of this nature are less common than desired. In addition, it is usual that the VRIS/VRIO test is applied improperly. In this way, the case helps undergraduate and graduate students to conduct the practical application of concepts such as resources, capabilities, and strategies in a more accurate way, given the prior reading suggested in the teaching notes. Other secondary objectives are described below and were built based on Bloom's Taxonomy reviewed by Anderson et al. (2001):

1. Categorize resources and capabilities developed by Carpello throughout its history;
2. Judging the categorized resources from the VRIS/VRIO test to identify which of them allow Carpello competitive advantage and sustainable competitive advantage;
3. Propose alternatives for the outcome of the case based on the suggested theoretical discussion and other sources of information such as professional experience, technical and academic texts, sector reports, etc.).

## SOURCES AND COLLECTION METHODS

The construction of the case was carried out from multiple data sources. Two semi-structured face-to-face interviews were carried out with the entrepreneur in July 2021, and the second one with the participation of his wife, who is also the manager of the company. The interviews were recorded and transcribed, which allowed for more accurate analyzes of the material collected. Insufficiently detailed aspects were detailed later, through telephone contact. The company's financial reports were also consulted, as well as promotional materials on the website and social networks. Finally, the first author carried out an on-site visit and this allowed direct observation of production practices and brief participant observation.

## RECOMMENDED USAGE AND CASE DIFFICULTY LEVEL

The teaching case allows students to apply previous knowledge as well as the suggested theoretical discussion to predict the outcome of two sets of dilemmas offered. To do so, they must articulate interdisciplinary knowledge, as well as justify their choices based on the previous reading. From the detail offered, it is expected that feeling or other types of intuitions will be left out of the outcome. The case can be used in undergraduate courses in Administration, *stricto* and *lato sensu* graduate courses,

in subjects such as Strategic Planning, Business Planning, Entrepreneur, ship or any other that aim to develop relationships between resources, capabilities, and strategy.

The dimensions of Leenders and Erskine (1989) were adopted for the evaluation of teaching cases. The analytical, conceptual, and presentation dimensions are evaluated at three levels of difficulty, which 1 is easy, 2 is fair and 3 is difficult. On the scale, the proposed case is classified as 3, 2, and 2, respectively, as shown in Table 2.

Table 2. Dimensions of the case

| Dimension    | Level | Information presented in the case   | Explanation of the difficulty level  | Purpose   |
|--------------|-------|---|--|---|
| Analytics    | 3     | The case presents the situation and the environmental context of the decision                 | The outcome of the dilemmas is not shown. Students are invited to make decisions based on the information presented. | To provide students with not only the analytical capacity for high-level strategic decision-making but also to identify what types and what information is needed for this. |
| Conceptual   | 2     | It provides enough elements to combine concepts from different kinds of literature.           | It is necessary to present the concepts covered in the teaching notes previously.                                    | Provide opportunities for cross-referencing different kinds of literature, useful for the development of a systemic view.   |
| Presentation | 2     | The case scales the sequence of facts, from the simplest to the most complex, in a clear way. | Useful for classroom employment. The information is oriented to the application at different levels of training.     | Purposely, some information was omitted, in addition to releasing clues so that students can identify gaps that could be exploited by the company.                          |

Source: Adapted from Leenders and Erskine (1989, p. 120).

## A BRIEF THEORETICAL DISCUSSION SUGGESTED

The Carpello case illustrates a common situation at some point in the existence of successful small and medium-sized companies: sell the business or continue its expansion. Despite being possible to envision possible applications to other fields of Administration, the contribution of the resource-based view (RBV) of the Strategy area was sought, as a theoretical perspective, given its affinity to the presented dilemmas. Penrose (1959) and Wernerfelt (1984) were some of the precursors of RBV, for recognizing the company's internal resources as sources of competitive advantage in a period when the Industrial Organization economy reigned in strategic management (HOSKISSON et al., 1999). Motivated to offer a complementary vision to the mainstream of that period and to give more focus to the "inside the company" part, Barney (1991) developed the logic of his predecessors to list the attributes by which resources can be a source of sustained competitive advantage. Through this work, he contributed to the establishment of VBR. It can be said that, in the last thirty years, RBV has reached maturity as a theoretical perspective, having influenced several other approaches, such as the knowledge-based view and dynamic capabilities (BARNEY, 2011).

According to Barney (1991), resources can include a package of tangible and intangible assets, such as capabilities, processes, attributes, information, knowledge, etc. that are controlled by the company to carry out its operational activities. In the logic of RBV, resources are distributed heterogeneously and are not perfectly mobile, which goes against the industrial organization of Porter (HOSKISSON et al., 1999).

We can rescue two central arguments of the VBR for the examination of the context in which the Carpello enters. In an industry such as food, companies will control different resource packages, some of which may be strategic because they are both valuable and rare. Furthermore, not all resources can be easily acquired in a market for factors of production. For example, you cannot buy and replace an organizational culture different from the one you have. This characteristic exemplifies the nature of some features, which are difficult to imitate or take time to develop. Therefore, the possession of these resources can allow the implementation of strategies that lead, not only to obtaining a competitive advantage but also to its sustenance (BARNEY, 1991, 1995).

Barney (1991) specified the VRIS attributes for resources that are sources of sustained competitive advantage: Value, Rarity, Imperfect Imitability, and Substitutability. Valuable resources contribute to the efficiency and effectiveness of the company and the determination of how valuable they depend on the conditions of the market in which the company operates. In other words, in a given industry, a resource will be valuable to the extent that customers and competitors are willing to pay for it. At Carpello, distributors and consumers see value in production techniques that allow fresh, preservative-free products. Competitors see the same value in proposing acquisition proposals by the company.

The same type of resource that is owned by many companies is not a rare resource, and therefore cannot be a source of competitive advantage (BARNEY, 1991, 1995). For example, equipment in the production process of a food producer will hardly be valuable, since access to them is certainly easy as long as there are financial resources. Although some technologies are more innovative and less accessible, over time, they can be assimilated by other manufacturers. To specify the rarity of a resource, the researcher must keep in mind who the company's competitors are and which of them have the same resources (BARNEY, 2011).

Imperfect imitability is the attribute that allows a valuable and rare resource to become a source of sustainable competitive advantage. In the view of Barney (1991), the sustainability of competitive advantage is not related to time, but to the inability of competitors to replicate the effects of the strategies implemented by the company. In this sense, the possession of imperfectly imitable resources is compatible with VBR. The author indicates possibilities for resources to become imperfectly imitable: unique historical conditions; causal ambiguity and social complexity.

Unique historical conditions explain that "the past matters". The path through which each company travels impacts its future decisions. Such a resource can hardly be imitated because it depends on the historical position of the company. The knowledge of the main actor in the case was shaped over time, and surely, the experience with the canning activity in the South impacted the choices made when it was resumed in Mato Grosso.

Causal ambiguity is an important construct in the field of Strategy. It exemplifies the difficulty in recognizing which resources and strategies cause sustained competitive advantage. If Carpello is not able to understand the causality between

its resources/strategies and its competitive advantage, competitors may have the same difficulty and, therefore, will hardly be able to imitate it. Otherwise, there is no causal ambiguity and thus the competitive advantage can hardly be sustained.

Finally, social complexity concerns the socially complex nature of some resources. Interpersonal relationships, organizational culture, and reputation are some types of socially complex resources (BARNEY, 1991). Carpello has established partnerships with family producers in the region for the production of raw materials. It was necessary to teach these producers to plant different crops. This not only generated an exchange of learnings in a win-win relationship but also allowed for a symbiotic relationship.

Finally, for a strategic resource that is a source of sustainable competitive advantage, it cannot have an equivalent resource or package of resources capable of generating the same strategies and their benefits. In other words, a company may not be able to exactly imitate the resources of another, but it can replace them with others and implement the same strategies (BARNEY, 1991). If Carpello refuses the sale, the multinational may try to acquire similar resources from another competitor, thus seeking to replace one package of resources with another to implement an equivalent strategy.

Barney (1995) revisited the 1991 paper and adjusted the VRIS model to VRIO. The author inserted substitutability as a subdomain of imitation, along with duplication of resources.

Instead, he suggested the Organization attribute. Organization concerns how a company organizes itself to exploit the potential of its resources and capabilities (BARNEY, 1995). The author observed that this involves, for example, management control mechanisms to remuneration policies. At Carpello, its organization focused on artisanal production, given by the recipes developed and allied to the proximity to family producers, provided the ability to organize itself to explore the potential for competitive advantage.

It is worth remembering that authors commonly refer to the VRIO model citing Barney (1991), which is inappropriate since this article introduces the VRIS model. Since then, the RBV has been developed as it was renewed in the face of criticism (see PRIEM; BUTLER, 2001) and improvements suggested by scholars. It is especially observed in the case presented that no single theory will be able

to discuss and predict all the facts and implications related to them. For example, RBV is limited in unpredictable, nascent, and difficult to interpret markets (FURR; EISENHARDT, 2021). Similarly, other authors suggest incorporating some elements of Stakeholder Theory into the RBV to enhance firms' strategies (FREEMAN; DMYTRIYEV; PHILIPS, 2021). Even so, it is a relevant perspective for the discussion of the two dilemmas presented. In addition, the structure of dynamic capabilities (TEECE; PISANO; SHUEN, 1997) derived from the resource-based logic can be a promising theoretical discussion to embed dynamics in the way resources are renewed and organized.

### SUGGESTED LESSON PLAN

It is recommended to apply the case in the classroom. This requires students to carry out the prior preparation of the case individually, starting from reading and marking the main elements of the case. During the introduction of the activity, the teacher must make sure that this happened, either through interaction or application of a virtual quiz. The discussion of the case must also be preceded by the students' contact with the theoretical discussion suggested or related by the professors, which can occur through lectures, seminars, etc. Teachers should encourage the class with impact phrases, such as "the case presents a situation that can change the company forever" or "the life of the owner family". Giving students the idea that any decisions will have profound repercussions for the company is a good way to avoid arguments based on feelings or that lose sight of the theory discussed.

After introducing the activity, the teacher may ask students to form groups of no more than five members. They should be invited to exchange insights about the case, give their opinion on the narrated episodes, and put themselves in the position of the main character. Using gamification in learning can be a valuable strategy to encourage the construction of good arguments. After the stimulation between the teams, professors will be able to develop a simulated jury. To do so, they will need to invite students from other courses/classes or teaching colleagues to evaluate the arguments developed as judges. You must ensure that there are no conflicts of interest between the jurors and students. Students, like defense or prosecution lawyers, can be divided: between those who support the sale or not, and between those who

support the maintenance of the production mode or not. As judges, teachers should organize the debate, controlling the speaking times on each side. A Socratic strategy and the requirement that everyone manifests at least once, on a timely basis, are recommended. At the end of the plenary discussion time, the jury must deliberate and choose which side was the winner, based on the proposed arguments.

Finally, teachers should reinforce that the performance of the mock jury, regardless of the winning side, aims to demonstrate that there is no right or wrong decision, but that there are arguments supported by consistent analyzes and based on the base literature of the class. In other words. "Nothing more practical than a good theory". Table 3 presents the organization of actions and the estimated time for carrying out the activity, considering two sequential classes of fifty minutes each. In situations where more time is available, it is recommended that it be used for the benefit of plenary discussion and closing the case. Finally, during or after the jury, teachers can launch the suggested questions for discussion based on the case and theory.

**Table 3.** Class organization

| Action                                     | Estimated time |
|--|----------------|
| The teacher introduces the activity        | 10 minutes     |
| Individual reading of the material         | 30 minutes     |
| Organization in groups of 5 students       | 5 minutes      |
| Group discussion                           | 30 minutes     |
| Organization of positions in the mock jury | 10 minutes     |
| Realization of the mock jury               | 50 minutes     |
| Jury decision                              | 10 minutes     |
| Teachers close the activity                | 10 minutes     |

**Source:** Elaborated by the authors.

## SUGGESTED QUESTIONS FOR DISCUSSION BASED ON THE CASE AND THEORY

### Question 1: Should Daniel accept or decline the proposal? What categories of arguments can help you make this decision?

This question provides an opportunity for students to develop critical thinking from the case. When comparing the situation experienced by the company to other similar situations known or experienced, they may present emerging arguments, different from those brought here. The possibilities are numerous and, therefore, hardly exhausted. The following arguments, supplemented by rhetorical questions, envision some of the points that students may make. None of them should be taken as an undisputed truth and all can be discussed. The arguments may, for example, be related to the economic-financial issues of the proposal, the subjective aspects of the entrepreneur, the role of the family in decision-making, and organizational environment factors (international, technological, economic, etc.).

Some arguments in favor of the sale:

1. The company has debts and, although it does not face financial problems, the successive cycles of Brazilian economic crises since 2014 place greater risks and uncertainty in the business environment.
2. After hard work, Daniel and his family must reap the rewards of success. Rest is well deserved.
3. The proposal cannot be refused, either for the future gains of the contract or for the compatibility between the offer and the annual revenue of the last years.
4. Can big food corporations take the company out of the game? Mergers, alliances, and acquisitions have been increasingly common in the sector, which diversifies the package of valuable, rare and hardly imitable resources from the main competitors.
5. Will the company be able to protect its mode of production from the competition? The production method developed over the years, based on the accumulation of knowledge and technique, can be the company's central resource. Faced with the emergence of innovations, the company's com-

petitors can access more efficient and effective solutions that reproduce the value of Carpello's strategic resources.

6. A double-digit annual growth rate will naturally draw the attention of new competitors and be a "headache".
7. The consequences arising from the pandemic caused by the COVID-19 virus for the food sector are not yet fully known. "Even in crises, no one lets them eat". Could this claim be a fallacy for the canning industry?

Some arguments against the sale:

1. "Kill the hen to get the golden eggs"? A significant overall annual growth rate is an indication that it is worth staying in the game.
2. If Carpello, a company far from the country's large urban and industrial centers, caught the attention of several in the sector, it was not without reason. The company developed strategic resources to the point of receiving a proposal from a large multinational. The option for acquisition indicates that such resources will hardly cease to be strategic in the long term.
3. Organic, agroecological, or green products have gained market share and are increasingly accessible in the national market. In the international market, they are highly appreciated, mainly in the European and North American markets.
4. The capabilities developed by the company, such as raw material production and industrial processing, provided positive characteristics for working with the resources developed in a relatively stable industry.

### **Question 2: What resources possessed by Carpello may have attracted the multinational's attention?**

The recommendation for the discussion of this issue demands an a priori understanding of what resources are. In this sense, the Barney articles (1991, 1995) are required reading. The definition given by the author in both works is adequate to guide the discussion. Students must use the information contained in the case to identify the tangible and intangible resources presented that were developed by the company throughout its trajectory. This discussion is pertinent because it can also help you differentiate between capabilities and capabilities. It

is worth mentioning that these are concepts commonly confused during undergraduate and graduate studies. The suggestion raises the level of discussion of the case since it is necessary to use the complimentary text by Teece Pisano and Shuen (1997), a work recognized for making the transition from the logic of resources to the logic of capabilities.

The fact that a large multinational proposed the acquisition of a small company far from the country's large urban and industrial centers draws attention and sets the tone for the dilemmas that guide the application of the case. It can be inferred that Carpello held resources that the multinational considered necessary in its product line diversification strategy. As revealed in the details of the proposal, the Carpello brand would continue to exist as a premium product line in the multinational's portfolio. Not for nothing, the contract established that the entrepreneur should continue ahead of production for a period, the time necessary for the tacit knowledge to be shared between the companies. Other important resources are also highlighted in the development of the case, such as the raw materials produced by family farmers and the social capital developed over the years with them.

### **Question 3: Among Carpello's resources, which ones can be considered strategic?**

The purpose of this question requires students to examine the resources identified in the previous question from the VRIS/VRIO test, that is, to identify which of them can be sources of sustainable competitive advantage. While examining resource attributes requires information that is exogenous to the VRIO model, such as value, students can rely on complementary information, such as prior knowledge and industry data. In short, it is an exercise whose answers can denote the students' ability to establish relationships beyond what the case presents. While this is commendable, reflections that are out of line with the objectives and theory suggested in the teaching notes should be avoided. In graduate studies, it is essential that the articles by Priem and Butler (2001) and Barney (2001) guide the reflection, since they deal precisely with the parameterization of the attributes value, rarity, and imitability. Students are expected to be able to formulate a scheme compatible with Table 4.

**Table 4.** Indication of application of attributes that can be sources of sustainable competitive advantage

| Attributes / Resources | Is it valuable?<br>Why? | Is it rare?<br>Why? | Is it imitable?<br>Why? | Is replaceable / organized?<br>Why? | What is the implication of the resource on competitiveness? |
|------------------------|-------------------------|---------------------|-------------------------|-------------------------------------|---|
| Resource 1             |                         |                     |                         |                                     |   |
| Resource n             |                         |                     |                         |                                     |   |

Source: Elaborated from Barney (1991, 1995).

**Question 4: In case Daniel and his family choose not to sell the business, what possible strategies can the company adopt taking into account the resource-based view?**

This is probably the most complex dilemma offered by the case. It is understood that there is no right or wrong answer. Students should be invited to reflect, based on the answers to questions 2 and 3, on the strategies that can be adopted by the company after the proposal is rejected. In practice, it is expected that they will be able to contrast the alternatives for the company’s positioning in face of the resources it has or lacks. For example, to maintain your generic differentiation strategy and expand your market, what resources will you need and which ones should you acquire? RBV is a relevant theoretical perspective for the managerial manipulation of company resources, avoiding, for example, the erosion of strategic resources (BARNEY, 2001). In this case, these resources must be maintained to provide the company with a sustainable competitive advantage over time.

On the other hand, to adopt a cost leadership strategy and expand the market, given the mass production, which resources will be needed and which of them should be acquired? This point is crucial for discussion about the value of resources. In a context in which slow production is abandoned, the knowledge and production techniques developed will lose value and, of course, will need to be replaced by new resources and capabilities. This type of strategy demands that students realize that new resources must be appropriated, to guarantee production

on a larger scale. In other words, appropriate resources will lose value depending on the established generic strategy.

Will focusing on just one industry segment, such as a single product line or a buyer profile, require changes to the company's resource pack? In each of these options, there is a greater or lesser degree of transformation of the resource base, and the manager must infer the extent to which each of them can be sustainable in the long term.

Finally, this exercise allows students to develop higher-order reflections since they will have to relate resources to the possible strategies suggested.

## Case outcome

Upon receiving the proposal, Daniel, in agreement with the family, understood that he was not in a position to assess whether the amount offered and future compensation was adequate. They immediately hired a valuation professional to evaluate the proposal. Even relying on the rationality of the decision, deep down the businessman knew that even if the consultant gave the green light for the sale, that would not be final for them to accept. At the end of July 2020, Carpello refused the proposal. Regarding the expansion of the business, Daniel assumed that the artisanal production process was a strategic resource. All the techniques developed, added to years of experimentation, allowed Carpello to develop a high-quality process, which was appreciated by consumers. Knowing the company's strengths and weaknesses, management hired a consultancy to learn about Carpello's market potential. In 2021, Carpello's orientation is to continue investing in products with greater added value and high-quality standards, while developing new resources for marketing in its stores, such as those Daniel saw at fairs and events abroad.

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