Past of the firm: The source for sustainable competitive advantage and survival?


<table>
<thead>
<tr>
<th>Title</th>
<th>Past of the firm: The source for sustainable competitive advantage and survival?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authors</td>
<td>Aaltonen, S, Heinze, A, Ielpa, G, Klosova, A, Papadopoulou, T, De Tommaso, D, Vasilieva, E and Zygiaris, S</td>
</tr>
<tr>
<td>Type</td>
<td>Conference or Workshop Item</td>
</tr>
<tr>
<td>URL</td>
<td>This version is available at: <a href="http://usir.salford.ac.uk/20837/">http://usir.salford.ac.uk/20837/</a></td>
</tr>
<tr>
<td>Published Date</td>
<td>2011</td>
</tr>
</tbody>
</table>

USIR is a digital collection of the research output of the University of Salford. Where copyright permits, full text material held in the repository is made freely available online and can be read, downloaded and copied for non-commercial private study or research purposes. Please check the manuscript for any further copyright restrictions.

For more information, including our policy and submission procedure, please contact the Repository Team at: usir@salford.ac.uk.
Past of the Firm: The Source for Sustainable Competitive Advantage and Survival?

Aaltonen, Satu, Turku School of Economics, University of Turku, (satu.aaltonen@utu.fi);
Heinze, Aleksej, The Information Systems, Organisation and Society (ISOS) Research Centre, University of Salford;
Ielpa, Giuseppe, ID Technology;
Klosova, Anna, Poradenstvi/Consultancy Tis Praha;
Papadopoulou, Trigona, The Urban And Regional Innovation Research Unit, Aristotle University of Thessaloniki;
De Tommaso, Dorella, Spin Consorzio di Ricerca, Innovazione e Trasferimento Tecnologico Scrl;
Vasilieva, Elena, The Centre for Enterprise & Innovation Research, University of Salford;
Zygiaris, Sotiris, The Urban And Regional Innovation Research Unit, Aristotle University of Thessaloniki

Introduction

Small craft sector firms are struggling to survive in an environment where large multinational companies produce similar kinds of products in higher volumes and cheaper prices. The surviving of small firms calls for creative thinking. There are many different ways to react to these challenges.

Those of them that have been trading for decades have a quality that no newcomer has: their history and knowledge. This quality is seldom fully valued or exploited by the companies. However, more efficient exploitation of the enterprise cultural heritage could enhance the competitiveness of long established small businesses - especially today, when sustainability, authenticity, innovativeness and traditions are highly valued among many consumers worldwide (Feagan, 2007, Sedera et al., 2004, Halweil, 2002). These assets can be vital for surviving for long established companies.

Heritage can be used as an asset, which can have new meanings in new contexts and eras. Therefore, it can be used to serve contemporary purposes. Enterprise cultural heritage’s both cultural and economic values have become more visible recently. The concepts of heritage production and heritage as commodity have been introduced. First venues for this commercialization have been museums, travel and food industry. (Nic Craith, 2007, Kockel, 2007). The cultural heritage includes both the intangible assets, such as the practices, representations, expressions, knowledge and skills - as well as the tangible assets which includes objects, artefacts and cultural spaces associated therewith (Unesco, 2003, Nic Craith, 2007). The concept of ECH aims to bring the concept of cultural heritage now closer to the everyday business practices. ECH is an innovative and complex concept combining the company’s own history and creations with the potential to transform information and materials into “extended products & services”.

The aim of the paper is twofold - both empirical and theoretical. On one hand, the applicability of the resource-based view is tested with case studies and on the other hand, the theoretical foundations of this novel concept of ECH are consolidated. This paper aims to answer the questions: how is the Enterprise Cultural Heritage exploited in the companies studied and does the exploitation of ECH create sustained competitive advantage for these companies (evaluated with the VRIO framework). In the conclusions and implications both the theoretical and policy implications of the study are discussed, as well as how a conscious use of ECH might help the long established companies to survive.
The paper is based on the findings of MNEMOS project (Quality & Innovation in Vocational Training for Enterprise Cultural Heritage), which is an European Commission funded project working in the developing field of Enterprise Cultural Heritage in five countries - the Czech Republic, Finland, Greece, Italy, and the UK. The project aims to enable SMEs to exploit their ECH and improve the quality of vocational education and training practices. This paper is based on three case studies that have been made among established family-run craft-sector companies in different European countries. These case studies were chosen based on a survey of 75 companies in the five European countries mentioned (15 in each).

This paper is organised as follows. The next section defines Enterprise Cultural Heritage and the VRIO Framework that will be used to analyse the case studies. The paper proceeds with an overview of the methods used in data collection, as well as the case descriptions of all three cases analysed. Then the results of the VRIO analyses are presented. Lastly, both the theoretical and policy implications of the study are discussed, as well as how a conscious use of ECH might help the long established companies to survive.

**Literature**

*What is Enterprise Cultural Heritage (ECH)?*

Enterprise Cultural Heritage (ECH) is an innovative and multifaceted concept which comprises *intangible cultural heritage assets* and *tangible cultural heritage assets*. *Tangible cultural heritage assets* are things that can be touched – these include buildings, tools, machinery, products, works of monumental sculpture and paintings which have an outstanding universal value to the organisation from a commercial, historic, aesthetic, artistic or scientific point of view.

*Intangible cultural heritage assets* are social customs which are held by people and shared orally (enterprise owners, employees, customers, and suppliers etc) and include: services, crafts, oral histories, traditions, recipes, old designs and are recognised for their outstanding universal value to the organisation from a commercial, historic, aesthetic, artistic or scientific point of view.

These assets are of particular commercial interest because of their potential to transform information and materials into “extended products & services”. ECH is an asset that is made up of tacit and explicit knowledge. This knowledge focuses on products and services (and the overall brand identity of the firm), processes (and technologies), functions, and organisational structures. For long-standing companies these heritage assets can be vital. Cultural heritage of an organisation can be used either as a resource itself or as a resource for innovations and change (Sedera et al. 2004, Urde et al. 2007). The importance of innovation and firm’s ability to react to changes in the business environment have been emphasised to be important for firm survival in the literature already since the days of Schumpeter (1950; Cefis & Marcili 2005).

Heritage can be used as an asset, which can have new meanings in new contexts and eras. Therefore, it can be used to serve contemporary purposes. Cultural heritage’s both cultural and economic values have become more visible recently. The concepts of heritage production and heritage as commodity have been introduced. First venues for this commercialization have been museums, travel and food industry. (Nic Craith, 2007, Kockel, 2007). The cultural heritage includes both the intangible elements, such as the practices, representations, expressions, knowledge and skills - as well as the instruments, objects, artefacts and cultural spaces associated therewith (Unesco, 2003, Nic Craith, 2007).
For the MNEMOS project the following definition for ECH has been constructed (Aaltonen et al., 2010):

*Enterprise Cultural Heritage (acronym ECH) is a company asset that is derived from its historical evolution. This asset is made up of tacit and explicit knowledge. This knowledge focuses on products/services (and the overall brand identity of the firm), processes (and technologies), functions, and organisational structures. It can be used to underpin future competitiveness through originality, innovation and quality.*

Realizing cultural heritage as an asset for companies has not been widely discussed yet. Company’s cultural heritage can be regarded as part of company’s cultural capital. As well as all forms of capital it is transformable to other forms of capital such as intellectual capital or financial capital. But the exploitation of knowledge or the cultural heritage of an organization as an asset resides not in the knowledge itself, but in the ways it is used and re-used – e.g. how do you capitalise it (Sedera et al., 2004, Urde et al., 2007).

As important as using company’s ECH is also recognizing valuable information of the company’s past from the invaluable – that is, knowing what is heritage and what is not. Cultural heritage doesn’t include all the traditions of the firm (Kockel 2007). Heritage is that part of tradition, which is valued and nominated as heritage. In our definition of ECH is defined as an asset that can be transformed into different forms of capital. All of which at the end, when wisely managed and used - make the business more prosperous.

The range of potential fields of management which could benefit from utilising cultural heritage is wide: marketing, product development and innovation, organisational culture and knowledge management. However, to date, this has achieved precious little attention in the academic literature. In this paper we will report, how the established companies in craft sector themselves perceive the potentials of this asset.

What would then be the reasons to use company’s cultural heritage in its present activities? Won’t the utilizing of company heritage be in contradiction with being up to date, high tech and modern? As stated in Urde et al. (2007) there is no contradiction. Heritage gives the companies a possibility to differentiate from its competitors. The advantages of using and expressing ones heritage are:

1. Heritage can provide a basis for distinctiveness in positioning, which can generate competitive advantage which will be manifested in higher prices and retaining customers who value heritage.

2. Heritage can increase brand value bringing it more credibility, authenticity and meanings, which are important for the customers.

3. Heritage helps also to build a special relationship with non-customer stakeholders like the surrounding community. It may also help the HR activities of the company, like recruiting and retaining staff. It may also build internal commitment and pride among employees of the company. (Urde et al. 2007.)

As well as there is a difference between tradition and heritage (business asset), there is difference between an asset in general and an asset that creates competitive advantage, not to mention sustained competitive advantage. But how will we then know when the asset is a resource that creates competitive advantage or even sustained competitive advantage? Strategic management literature provides us a tool for testing that.
VRIO Framework

There are two basic assumptions in the Resource Based View (RBV) of the firm. The first one assumes that firms within the same industry may be heterogeneous with respect to their strategic resources, and the second one that these resources cannot always be freely transferred from one company to another (Barney, 1991). The Resource Based View claims that firms gain competitive advantage by deploying valuable resources that are scarce; and the term valuable resource refers to resources that enable a company to use strategies that improve their effectiveness (Wernerfelt, 1984; Barney, 1991).

By definition a firm is said to have “competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors”, and “sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy” (Barney 1991, 102). Resources and capabilities are tangible and intangible assets that companies use to develop and implement their strategies (Ray, Barney & Muhanna, 2004).

VRIO framework is a tool of RBV to assess the strategic assets of the company. According to Barney (1991) there are four empirical indicators of the potential of firm resources to generate sustained competitive advantage. They must be (1) Valuable, (2) Rare among a firm’s competitors, (3) imperfectly Imitable, and (4) exploited by the Organisation (VRIO). Next we'll explain shortly what each criteria entails.

**Value** of the resource can be tested by asking “Does a resource enable a firm to exploit an environmental opportunity and/or neutralize an environmental threat?” (Barney & Hesterly, 2008). The popular SWOT-model suggests that firms can improve their performance only when their strategies exploit firm’s opportunities or neutralize environmental threats. As a matter of fact, RBV uses the term resource only for those attributes of a firm that either exploit the opportunities or neutralize the threats. Therefore, in the RBV framework all resources are valuable by definition.

**Rarity** of the resource can be tested by asking “Is a resource currently controlled by only a small number of competing firms?” (Barney & Hesterly, 2008). It is obvious that if you wish some resource to give you advance over competitors, you should be the only one (or among few) possessing that resource.

The **imitability** of the resource can be tested by asking “Do firms without a resource face a cost disadvantage in obtaining or developing it?” (Barney & Hesterly, 2008). The more difficult or costly it is to other companies to imitate your valuable and rare resource, the longer you will have your competitive advantage. Value and rarity can be sources of short term competitive advantage if the company using them is the first on the market. But in case they are easily imitated they can never be sources of sustained competitive advantage. This criterion is of utmost importance when we are evaluating the importance of ECH to company’s sustained competitive advantage. The unique historical conditions and the historical trajectory of the company are mostly either impossible or costly to imitate.

Whether a resource is fully exploited by the **organisation** can be tested by the question “Are a firm’s other policies and procedures organized to support the exploitation of its valuable, rare, and costly-to-imitate resources?” Even if the resource would be valuable, rare and costly-to-imitate, its full potential cannot be capitalized if the so called complementary
resources and capabilities are not organized to exploit this resource. (Barney & Hesterly, 2008.)

Table 1. The VRIO Framework (Barney & Hesterly 2008,92)

<table>
<thead>
<tr>
<th>Valuable?</th>
<th>Rare?</th>
<th>Costly to imitate?</th>
<th>Exploited by organisation?</th>
<th>Competitive implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>-</td>
<td>-</td>
<td>No</td>
<td>Disadvantage</td>
</tr>
<tr>
<td>Yes</td>
<td>No</td>
<td>-</td>
<td>↑</td>
<td>Parity</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>↓</td>
<td>Temporary Advantage</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Sustained Advantage</td>
</tr>
</tbody>
</table>

However, even the occurrence of one of the above mentioned criteria has implication to the competitive position of the company. Table 1 sums up all the possible combinations of occurrence all four criteria in the resource and shows how the implications vary between disadvantage and sustained advantage. For sustained advantage all four conditions must be fulfilled.

The case studies

We studied the use of ECH in three craft sector companies. The companies operate all in different countries and different fields of industry. All our case companies are over 80 years old. We are using cross-case analysis (Yin, 1984, Huberman & Miles, 1998) to extend external validity and increase our understanding of the diversity of the ECH exploitation in a firm level. Each case study introduces different piece of heritage to be used. Since the concept of ECH is a novel one, it is important to explore different ways to exploit ECH and increase the understanding of enterprise cultural heritage as a firm resource.

Our first case company, Lanificio Leo operates in a textile sector, in Italy. Another case company is a roasting factory and retail, J. Atkinson & Co in the UK. The Greek company Haitoglou Bros. SA, is producing food, e.g. the traditional Macedonian Halva. All the companies are family run businesses with a long history. They have been established since 1873, 1837 and 1924 respectively. Lanificio Leo and J. Atkinson & Co are SMEs, and Haitoglou Bros. SA is a larger company.

The case studies were written based on the interview data, interactions with the entrepreneur, and documents like marketing materials, annual reports etc. In the following we will focus on the ECH related attributes and resources, their value, rarity, inimitability and the ways how they were used by the companies. Based on these analyses and the theory of RBV we’ll evaluate the ability of ECH to create sustained competitive advantage for these long established firms which are trying to survive in increasingly competitive market environment.

Case 1 Lanificio Leo

Established in 1873, the Lanificio Leo wool factory is re-designated to one of the most significant examples of an enterprise-museum. Here design-oriented production and Enterprise Cultural Heritage (ECH) values are integrated into a management model mixing enterprise business processes with cultural heritage. In 2001 this original approach led Lanificio Leo, to be amongst the finalists for
the Guggenheim Prize for Business and Culture and to win the Management Culture Price.

Lanificio Leo has a history of over 135 years which is based on transforming raw wool to finished fabric. Tangible heritage examples of the factory include machines built between 1890 and 1965 - these operate in a 1000 sq. meter large factory floor space. Additionally, Lanificio Leo maintains a prized archive consisting of 200 blocks dating from the 19th century, hand carved in pear wood, still used in the hand printing process. In 2008 a production unit providing state of the art technologies was installed. The factory has two product lines: one line experiments with traditional textile products and the other is design oriented providing a contemporary look rooted in traditional production processes.

The wool mill has always been managed by the Leo family operating in Soveria Mannelli among the Sila Mountains in Calabria, South Italy since the 1930s. It moved there from Carlopoli and Bianchi, in order to make use of the electricity available. Previously power was supplied by mules and later by water. Today Emilio S. Leo represents the fourth generation of family owners, and leads a project that is developing a new future for the family business. Emilio says “After the 60s when the textile market in Italy had a significant breakdown. When the old workers retired, the previous management of the factory discussed changing processes by building a new factory to provide continuity of production. This option risked losing both the material and intangible assets of the old factory. My father decided to keep the old factory alive and to maintain the vintage machinery. We had the factory, we had the machineries operating, but we had no market network, no workers”.

In 1997 a complex cultural project was developed, Emilio had the idea of aggregating a number of cultural stakeholders around the factory concept. With the help of architects, designers, and other experts he started a think-tank with the objective of reconfiguring obsolete production processes to create a contemporary vision (a European cultural festival, local traditional exhibitions, installations with music) for the future. Emilio explains that managing this process of change has been continuous and complex; over the years “the issue that drove the change has been the quality of transformation rather than preserving the tradition at any cost. However in a small company owned by a family, emotional attachment affects strategies. Decisions are often taken informally. We worked a lot on generational conflicts with the new, “open” use of the factory (traditionally a restricted zone with timetables and rules for security and the protection of (intellectual) property) coming up against “we can’t do it”.

Finally the older owner acknowledged that the new concept led to results making the wheels turn and production start again. The younger owner learned to push forward experimentation through the use of vintage technology as well as the continuity of the product itself. The project had been too focused on cultural management at first and was revised to take greater account of production processes. Production has been extended to sewing and knitting, in order to reach retail customers.
Today Lanificio Leo has a new development strategy, based on a ‘work in progress’ approach, through small investments and tailored objectives. Emilio has revised production processes and integrated a small unit with state of the art technologies into the factory. There is now a market network and a niche shop in Lamezia Terme (SUF) international airport. The company built the SHEEP brand that is woven in the jacquard textures produced in the factory.

The old woollen mill is a live operating factory and an enterprise museum visited by students, professionals, tourists, and a think-tank for new product development ideas. The plain front door of the factory introduces the visitor to a high design showroom with a shop and shelves piled with the colours of the season’s collections. These that can be browsed online through the company website www.lanificioleo.it and soon an e-commerce section will allow products to be purchased by customers from all over the world. From the showroom another door allows to access the factory floor.

Emilio’s father Peppino Leo, 88 years old, is the former owner of the factory and is a repository of the memory of vintage production process. Peppino starts up the machines and shows us the archive of wooden blocks, hand-carved and still used after 200 years; the factory comes alive in front of our eyes, the vintage process creates textiles with the textures and colours demanded by the contemporary market. The authenticity and quality of Lanificio Leo is symbolised by the textiles woven on vintage

Case 2 J. Atkinson & Co

Set in the historic city of Lancaster, England, UK is J. Atkinson & Co; who have been roasting coffee and blending teas since 1837. The original ownership of the business only lasted for two generations, and now it is run by the current owners, Ian and Sue Steel who took over the business in 2004. J. Atkinson and Co has always been a family run business and continues to be one, run as it is by husband and wife team. Some of the original tangible heritage assets have been changed these includes the physical location and the trading name. However, the intangible cultural heritage such as commitment to artisan coffee roasting and tea blending remains as the core of the business.

Ian and Sue have engaged with the tangible cultural heritage represented by tools and machinery. For example, one of the coffee roaster machines was installed in 1920’s and is still used by the company. One recent innovation in the use of this machine is the heat re-use mechanism, which allows for heating of the premises using the air produced by the roaster. However, other heritage elements of the machine such as the noise it makes are preserved and can be heard by the visitors who are coming for their tea or coffee. The rumbling noise of the roaster and the smell of freshly roasted coffee aroma preserve the intangible cultural heritage of the store.

The aroma is also kept where possible authentic to recipes (tangible cultural heritage) which were passed on over generations that are based on modifications of the original blends updated and developed to meet current tastes. Ian describes the process whereby he creates his coffee blends:
“I have taken the principles that I learnt from the old recipes, about how they are put together, and use contemporary thinking about what goes together.”

The original business model has not changed much over the 170 years. This includes the offerings of “coffee, refined sugar and spices” as found in a notice which dates back to October 1837 in the archive of the Lancaster Guardian newspaper. Although the spices have been replaced by offers of Professional Espresso machines to satisfy the needs of today’s customers, the original vision and mission carries on in the enthusiastic hands of the owners.

The owners recognise the importance of preserving the heritage of the business, always trying to mend existing tools, which create the artisan atmosphere. For example, the décor of the main room is little changed with Victorian dark green walls, dark mahogany shelving and tea & coffee containers still holding the precious content as they did decades ago. Not only does this mean that the operations of the business are sustainable by reducing wastage, it also supports other local artisans who provide spare parts or services to mend the equipment. Ian illustrated an example of this; when his scoop got damaged he approached a local craftsman to restore the existing tool. It was not an easy argument when the craftsman pointed to a new tool which would have been much cheaper, but it was important to restore the original which would carry on as one piece of the jigsaw of heritage which is kept alive here.

The owners are aware that the heritage element carries a number of commercial benefits for their business. One of their main strategic decisions to preserve and promote the enterprise cultural heritage was to actively get involved in heritage marketing. Lancaster, being a historic city as it is, offers a great commercial potential with tourists visiting the Lancaster castle or the surrounding museums who would appreciate the newly heritage elements of the business and could also benefit from having a coffee break in the nearby vicinity using J. Atkinson & Co premises.

One of the key lessons that we can learn from Ian and Sue is that its cultural heritage offers this business a unique selling point that no other could imitate. By enjoying J. Atkinson & Co coffee the customers are buying into a local brand that supports local people as well as those suppliers who have sustained this business for generations. The use of new technology such as Twitter and blogs blends nicely with a vintage coffee roaster creating a special atmosphere for visitors whether they are browsing online and purchasing from around the world www.thecoffeehopper.com or just happen to be in the vicinity and need afternoon refreshment.

Case 3 Haitoglou Bros. SA

Haitoglou Bros SA is a family business currently managed by the 3rd generation of the Haitoglou family. In 1924 the family, refugees from Asia Minor, settled in Thessaloniki bringing with them the craft of halva-making and starting a small workshop in the centre of Thessaloniki producing tahini and halva. Six years later the business had grown to an industrial scale by the standards of the time, rendering transfer to a larger unit. By then the company was already renowned throughout Greece. By 1962 the small family business
had grown substantially and once more moved into larger premises, to accommodate production needs and to allow future expansion and growth.

Since the founding of the business, “Macedonian Halva” has been a strong brand name and a synonym for superior quality, leading the sector nationally while continuously expanding its activity in international markets. Since 1924 many things have changed in the food industry and advances in food production and processing, especially related to food safety and hygiene, have been incorporated into the production process. At the same time the precious cultural heritage of the craft of halva making has been deliberately passed from successive halva masters to their apprentices thus preserving the skills and resulting in a product of unique quality and character.

Over the years the production of the company has expanded into a wide range of sesame related items capitalizing on the existing expertise in sesame processing and also other food categories presenting the same zeal and devotion to quality.

There are some key values that guide production in Haitoglou Bros., as stated by Mr. Chatzichristodoulou: “The craft of halva making has been preserved through generations. The fusion of modern technology and craftsmanship results in a product of unique quality and coupling with the strictest hygiene and safety standards. The same care is devoted to all products carrying the Haitoglou brand name. Our company has grown taking small calculated steps. Quality is the only insurance policy that is definitely worth its cost.”

Another equally important ECH management value for Haitoglou Bros is the people that share and pursue this vision. Haitoglou Bros, being a family business, appreciates the importance of motivated and skilled staff. In the business every employee has a role and every role contributes to the end result. Continuous training and skills improvement as well as effective communication of the common vision is the only way to keep this effort organized and effectively focused. Traditionally the management has been close to personnel, listening to new ideas, trusting people with responsibilities and resolving emerging issues on the spot. Direct communication and mutual appreciation allows continuous improvement on a sound basis. All employees are valuable partners in this effort.

Mr. Chatzichristodoulou stated that, “marketing has significant ECH elements, which are reflected in the branding strategy and trademark recognition”. Approximately 50% of the products are exported and distributed in all major markets in almost every continent. Traditional products such as halva were the first to be exported, mainly targeted at parts of the world with active Greek communities. “The Greek diaspora was the best ambassador for our products and they soon became popular amongst local populations or other ethnic groups already familiar with them.” While offering products in their original packaging, marketing forms and types, new or modified versions were created to appeal more to other cultures or age groups, thus satisfying both the need to preserve the identity of key products and the need to expand the customer base and market share in both national and international markets.
Results

Every company studied possesses several ECH related potential resources. Those are for example tangible cultural heritage in form of old machinery, physical location, and intangible cultural heritage such as name of the company, recipes or know-how in the production process. Next we will look closer, what these ECH attributes are and how they are used in these companies. We’ll also take a closer look, if those ECH related attributes – or potential resources as they might be called – could be regarded as resources which are able to give the company either temporary or sustained competitive advantage on their markets.

The potential resources used

There were many kinds of ECH related attributes used by the companies – both tangible and intangible. In Lanificio Leo they used vintage woollen mill machineries together with the textile printing and weaving know-how to produce the textiles with a touch of vintage and high quality for today’s design products. In J. Atkinson & co they used old recipes and old machinery to roast their coffee. The physical location of the company embodies historical values. They also re-use old posters and advertising materials as used in the initial business. Also, the name along with the strap line of the company - "grasshopper eats only the finest leaves" has been the same since 1830’s, additionally, the interior of the shop, that uses the colour scheme for the decoration as well as the old cans for storing coffee and spices on the shelves have remained the same over the years. For Haitoglou Bros the ECH resources that have been developed include recipes, know-how in the production process, old machinery, advertising material emphasizing brand name and trademark. The focus of ECH resource management is therefore on branding, Intellectual Property Rights (IPR), change management and heritage management. Moreover, the preservation of craftsmanship and incorporation into modern production systems in the craft of halva making has been preserved through generations.

Are those potential resources valuable?

The value of ECH attributes of Lanificio Leo comes mostly from their rareness and of course from the fact that they enable the production on fabrics that are valued by the customers. The combination of vintage technologies into design oriented products generates non imitable, original products. The resources used in J. Atkinson & co are valuable to the company because they provide the added attraction to the company which suggests to the prospects that that there is something that they are doing "right", since they managed to trade for five generations. This means that for example the machinery that they use might not be as efficient as the new roasters but it adds qualities of taste and smell which cannot be replicated by the current latest machines. The same goes to the method and recipes of production of coffee roasting which have been passed on from five generations and have resulted in lessons learned from satisfied customers. Also Haitoglou Bros. has managed to translate traditional values and high quality and nutritional standards into functional and emotional benefits to consumers and obtain the benefits of Enterprise Cultural Heritage. The assimilation of ECH into the company’s branding strategy had a valuable and positive impact to customer’s loyalty. Therefore could be considered very valuable to them since they have maintained their market share and have increased sales not only in Greece but abroad as well. Thus, we can conclude that the ECH attributes used by these companies can be called resources, since they are valuable that is they enable the firms to exploit their opportunities, which are mostly in relation to valuations of their prospects – traditions, authenticity and quality.
Are those resources rare?

The know-how and machinery in Lanificio Leo are rare. Lanificio Leo is the only full-operative vintage woollen mill in Europe still in production. The resources used by J. Atkinson & co can also be considered rare because the machinery does not exist any longer and it is almost impossible to buy similar roasters anywhere. Although the recipes and marketing material can be imitated they cannot claim the same heritage which was passed on over 5 generations. Also the physical location of the shop is in the historic part of the Lancaster town next to a castle. Therefore, as a matter of fact the whole shop is surrounded by heritage Not many can add that value to their shops and premises. The company’s branding at Haitoglou Bros SA focus on ECH. The promotion of ECH through product labels, packages and profiles provide an outcome spiced with traditions and reliability to consumers. This strategy could not be considered as a rare practice. It mostly depends on a strategic decision of the company, whether to realize branding policies that highlight the ECH characteristics. The long now-how and recipes, which are well kept as a "secret" within the company are rare resources.

Are those resources costly to imitate?

Some steps of the manufacturing process used in Lanificio Leo cannot be imitated anymore, since technology affected them significantly. Despite the possibility to use latest generation loom, some effects on the pieces of cloth produced, cannot be imitated since gears and machineries in contact with the textile give it a inimitable touch. In the case of J. Atkinson & co the resources are costly to imitate, and perhaps not possible since no other company can claim to have "Five generations of continuous trading in the City" and be one of the originals in Lancaster that managed to get adverts from 1837! Haitoglou Bros. have been for long assessing and keep record of ECH resources. Thus, initiation cost could be considered low, since the ECH management cost parameters are preserved in the company’s operational agenda. For the competitors that have similar products it would be costly to start to collect their ECH from scratch and to obtain large scale advertising campaigns to achieve and imitate the historical image of Haitoglou Bros.

Are those resources exploited by organisation?

For the exploitation of ECH resources Lanificio Leo built a new brand – the SHEEP Brand – with two main lines of production based on vintage machineries produced textiles: the first line producing vintage and design-oriented products, and the other with a modern cutting mainly for wearing accessories and home wear. They have offered us is a good example of brand management and heritage management by creating and operating an enterprise museum. In J. Atkinson & Co’s coffee shop the resources are partially exploited. The ECH is apparent to the physical shop visitors but perhaps not so much online, although there is a good imagery of the physical shop online. All our three case studies they are showing some good example of brand management since they engaged actively in social media by leveraging Twitter and YouTube to interact with their prospects and engage in educational process. In Haitoglou Bros SA branding is exploited inside the organization with profound ECH highlights to strengthen employee commitment achieve an enhanced company culture. Thus, the Haitoglou case study shows also a good example of change management processes. ECH has been exploited as well in the external environment by inter-relating ECH concepts
with company and product characteristics related to quality, high hygiene standards, and nutritional values. This exploitation provided the benefit of an increased market share against competitive products with lower quality - price positioning.

In summary, the resources evaluated by VRIO criteria are collected in the table 2.

Table 2. ECH resources evaluated by VRIO criteria

<table>
<thead>
<tr>
<th>Company</th>
<th>Lanificio Leo</th>
<th>J. Atkinson &amp; co</th>
<th>Haitoglou Bros</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources</strong></td>
<td>Vintage woollen mill machineries, textile products, textile printing and weaving know-how</td>
<td>Old recipes, old machinery, physical location, posters and advertising material as used in the initial business, name of the company, strap line of the company - &quot;grasshopper eats only the finest leaves&quot;, colour scheme used for the decoration of the shop, the old cans for storing coffee and spices</td>
<td>Recipes, know-how in the production process, old machinery, advertising material emphasizing brand name and trademark, preservation of craftsmanship</td>
</tr>
<tr>
<td><strong>Valuable?</strong></td>
<td>Combination of vintage technologies into design oriented products generated non imitable, original products</td>
<td>The machinery adds qualities of taste and smell which cannot be replicated by the current latest machines, the method and recipes of production of coffee adds value to the product that customer appreciate</td>
<td>The assimilation of ECH into the company’s branding strategy had a valuable and positive impact to customer’s loyalty</td>
</tr>
<tr>
<td><strong>Rare?</strong></td>
<td>The know-how and machinery are rare, they are the only full-operative vintage woolenmill in Europe still producing textile sold in the market of textile and of finite wool products (design oriented homewear, bedwear, wearing accessories, ...).</td>
<td>The machinery that was developed does not exist any longer and it is difficult to buy similar roasters, no one else can claim the same heritage which was passed on over 5 generations, the physical location is surrounded with heritage, which adds value to their shop.</td>
<td>The long know-how and recipes, which are well kept as a &quot;secret&quot; within the company.</td>
</tr>
<tr>
<td><strong>Costly-to-imitate?</strong></td>
<td>Some steps of the manufacturing process cannot be imitated anymore, since technology affected them significantly and similar machinery is no longer available.</td>
<td>The resources are costly to imitate, and perhaps not possible since no other company can claim to have &quot;Five generations of continuous trading in the City&quot; and be one of the originals in Lancaster that managed to get adverts from 1837.</td>
<td>Haitoglou Bros. have been for long assessing and keep record of ECH resources. For competitors that have similar products would be costly to obtain large scale advertising campaigns to achieve and imitate the ECH long lasting image status of Haitoglou Bros.</td>
</tr>
<tr>
<td><strong>Exploited by organisation?</strong></td>
<td>Lanificio Leo put this exploitation under one brand with two sub-brands. The brand name and the trade marks are not registered and there are some potential Intellectual Property Rights (IPR) opportunities which could be exploited more.</td>
<td>Partially exploited. The ECH is apparent to the physical shop visitors but perhaps not so much online, although there is a good imagery of the physical shop online. Similar to Lanificio not much attention was given to IPR.</td>
<td>In Haitoglou Bros SA branding is exploited inside the organization with profound ECH highlights to strengthen employee commitment achieve an enhanced company culture. ECH has been exploited also in the external environment by inter-relating ECH concepts with company and product characteristics related to quality, high hygiene standards, and nutritional values. IPR are not explicitly exploited.</td>
</tr>
</tbody>
</table>
Firm attributes can be a source for competitive advantage only if they are valuable. According to Barney (1991) the value of an attribute will be evaluated in relation to firm’s environment. The attributes become resources only when they either exploit opportunities or neutralize threats in that environment. In our case studies for example the vintage machinery that is used might not be as efficient as the new machinery but it adds qualities of originality, traditions and craftsmanship which cannot be replicated by the current latest machines. And there is a large enough segment of customers who value those qualities and thus create an opportunity for the companies to exploit. The same goes to the method and recipes of production which have been passed on from five generations and have resulted in lessons learned from satisfied customers. The survivor and growth of a company speaks also for itself. In Haitoglou Bros SA the conscious and systematic assimilation of ECH into the company’s branding strategy has had a valuable and positive impact to customer’s loyalty. The company has maintained their market share and have increased sales not only in Greece but abroad as well.

In our case studies the rareness of the ECH resources and their difficulty or costliness to be imitated by other companies mostly lies in the unique historical position of the company possessing them (Barney, 1991). The old machinery in two companies studied, constitutes a resource which is rare because the machinery is not produced anymore and it is difficult for the competing companies to buy similar machinery. Although the recipes and marketing material can be imitated they cannot claim the same heritage which was passed on in these companies over many generations. Also for J. Atkinson & Co the physical location is in the historic part of the Lancaster town next to a castle which is surrounding the shop with heritage and not many can add that value to their shops and premises. In Haitoglou Bros SA the long know-how and recipes, which are well kept as a "secret" within the company are both rare and impossible to imitate. However, to some extent they could be substituted by other similar companies with long traditions.

How well are these resources exploited by the companies? In the case companies those resources are exploited quite well, which is not surprising since each of the companies studied is relatively well aware of - and also publicly known of - their ECH assets. However, there are some inconsistencies in using ECH in e.g. in marketing. For instance, different brand images of the firm are used in physical shop and online, or in marketing of different products. This kind of marketing policy may well be wise if it is based on thorough understanding of the needs and values of different consumer segments, but if it is due to lack of sufficient brand management skills, it may weaken the company brand. In our only large company, Haitoglou Bros SA, ECH based branding is exploited inside the organization with profound ECH highlights to strengthen employee commitment and to create the company culture. ECH has been exploited also in the external environment by inter-relating ECH concepts with company and product characteristics related to quality, high hygiene standards, and nutritional values. This exploitation has enabled slightly higher prices and provided the benefit of an increased market share against competitive products with lower quality.
Conclusions and implications

Even though ECH is more commercialised in larger organisations such as Coca Cola, Guinness, Chanel etc, smaller organisations can also benefit from ECH. The concept or ECH is important as it is relevant to large number of SMEs and as it was highlighted in our three case studies, there are different ways in which heritage assets can be utilised. Although we realise that the number of such firms will be smaller in post-socialist regimes (such as the Czech Republic), however, there are similar opportunities for privatized firms as well as new SMEs that tap into the ECH of the socialist or even pre-socialist era.

The results of this research are of interest to anyone who wants to optimise their use of heritage assets. The introduction of a concept/asset (ECH) that may enhance SME competitiveness the world over raises the question of awareness of this potential among entrepreneurs and business educators. Although our research is concerned with older enterprises we realise the limitation of this, since younger organisations can also utilise heritage assets to their commercial advantage. This could be a good avenue for future research, which could include organisations that purchase a brand with heritage and set high authenticity, quality and other attributes even though you might not poses these originally.

Based on our analyses the conclusion is that ECH based resources can create sustained competitive advantage particularly for established craft sector companies. The level of value, rareness, inimitableness and exploitation varies from resource to resource. But in every company there could be found a resource which fulfilled all the VRIO criteria. Similarly, some of the resources studied failed to fulfil the VRIO criteria in one or several of the four attributes. According to Barney and Hesterly (2008) the levels of competitive and economic implications of the resources vary based on how well the resource used meets all the attributes of VRIO. And perhaps the most useful and exciting for the company itself is to find out resources that are rare, valuable, costly to imitate by other companies, but which it has not been exploiting yet. It is not easy to recognize your own company’s strengths and opportunities, since it is not even always clear to companies with sustained competitive advantage, to understand what resources have generated that position due to the causal ambiguity between the resources and the sustained competitive advantage (see Barney, 1991).

For researcher in the area of ECH, our analysis suggests that better understanding of the potential benefits of exploiting ECH can be through the usage of VRIO framework. in This can help in differentiating the attributes of ECH which could provide sustainable competitive advantage for the company. Thus, this could be most beneficial to many older craft sector companies who are struggling in resources and would be a valuable tool for long established companies who are looking for ways to differentiate them in the increasingly competitive market environment.

For practitioners, our study identifies that ECH elements, which could be incorporated into existing management processes in relation to Brand Management, Change Management, Heritage Management and IPR Management. The training material for these is available freely online and can be accessed by anyone: www.enterpriseculturalheritage.org. Whilst the three case studies have shown some elements of good practice for brand, change and heritage management, we were unable to see some very good examples of IPR management in our cases. We therefore feel that practitioners in educational feels should consider increasing the education efforts in this area.
Acknowledgements

The authors acknowledge support from a Leonardo da Vinci, Lifelong Learning Programme grant for the project “Quality and innovation in vocational training for Enterprise Cultural Heritage management”.

Bibliography


