Module 5: Internal Scanning Part 2

VRIO Framework

The Source of Sustainable Competitive Advantage

C-AE24 Strategic Business Analysis ·

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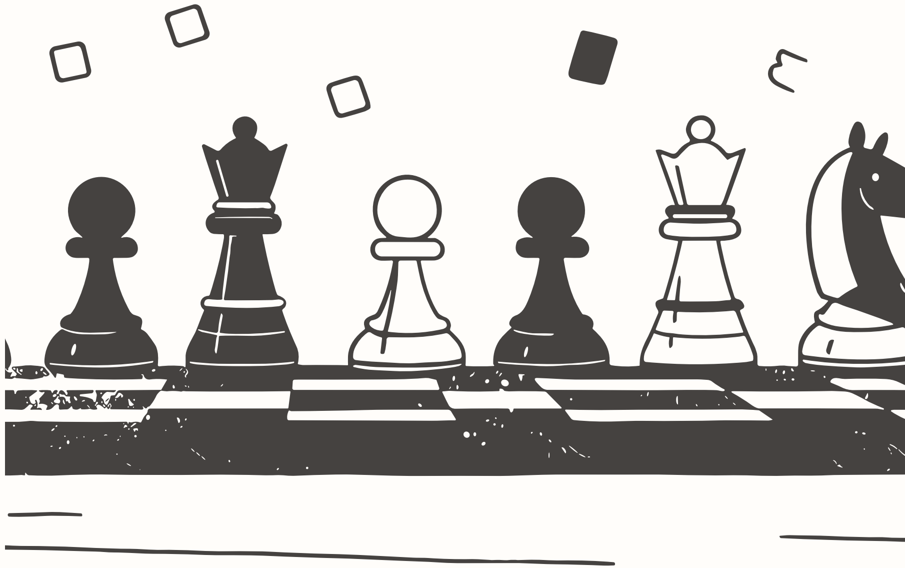
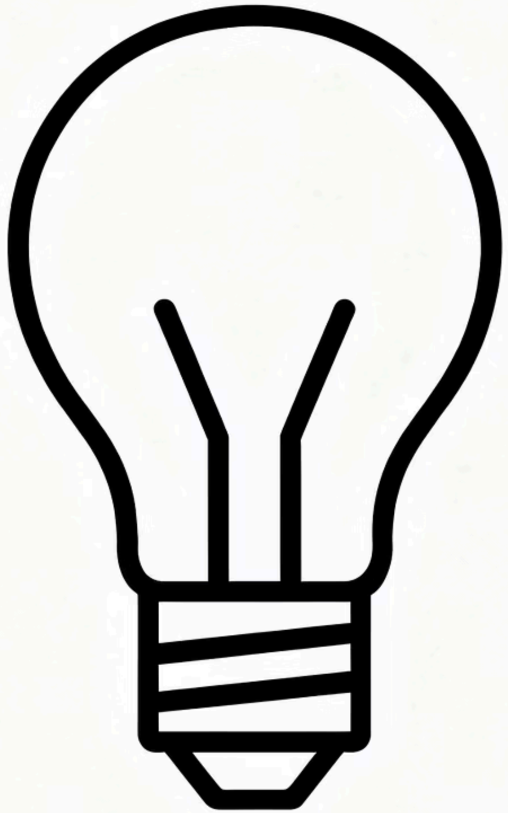


Jay Barney

Strategic management scholar · Introduced VRIO in his landmark **1991 Journal of Management** article

Key architect of the **Resource-Based View** — competitive advantage comes from within, not from the external environment.



What Is the VRIO Framework?

Value Does it help the firm compete?	**Rarity** Do few others have it?
Imitability Is it hard to copy?	**Organization** Can the firm exploit it?

A tool to determine whether a resource is merely useful — or a genuine long-term competitive strength.

The Resource-Based View

Firms are **bundles of unique resources and capabilities.**

Performance differences come from differences in those resources.

> Unlike PESTEL or Porter's Five Forces, **VRIO looks inward** — what do you already have, and is it truly special?

What Are We Evaluating?

Resources

Tangible & intangible assets: capital, equipment, brand, patents, data

Capabilities

What the firm does well: innovation, service, supply chain, talent attraction

Both can be evaluated through the VRIO lens.

VRIO Is a Sequential Test

Rare

Few competitors possess this resource.

Valuable

Exploits opportunities or defends threats.

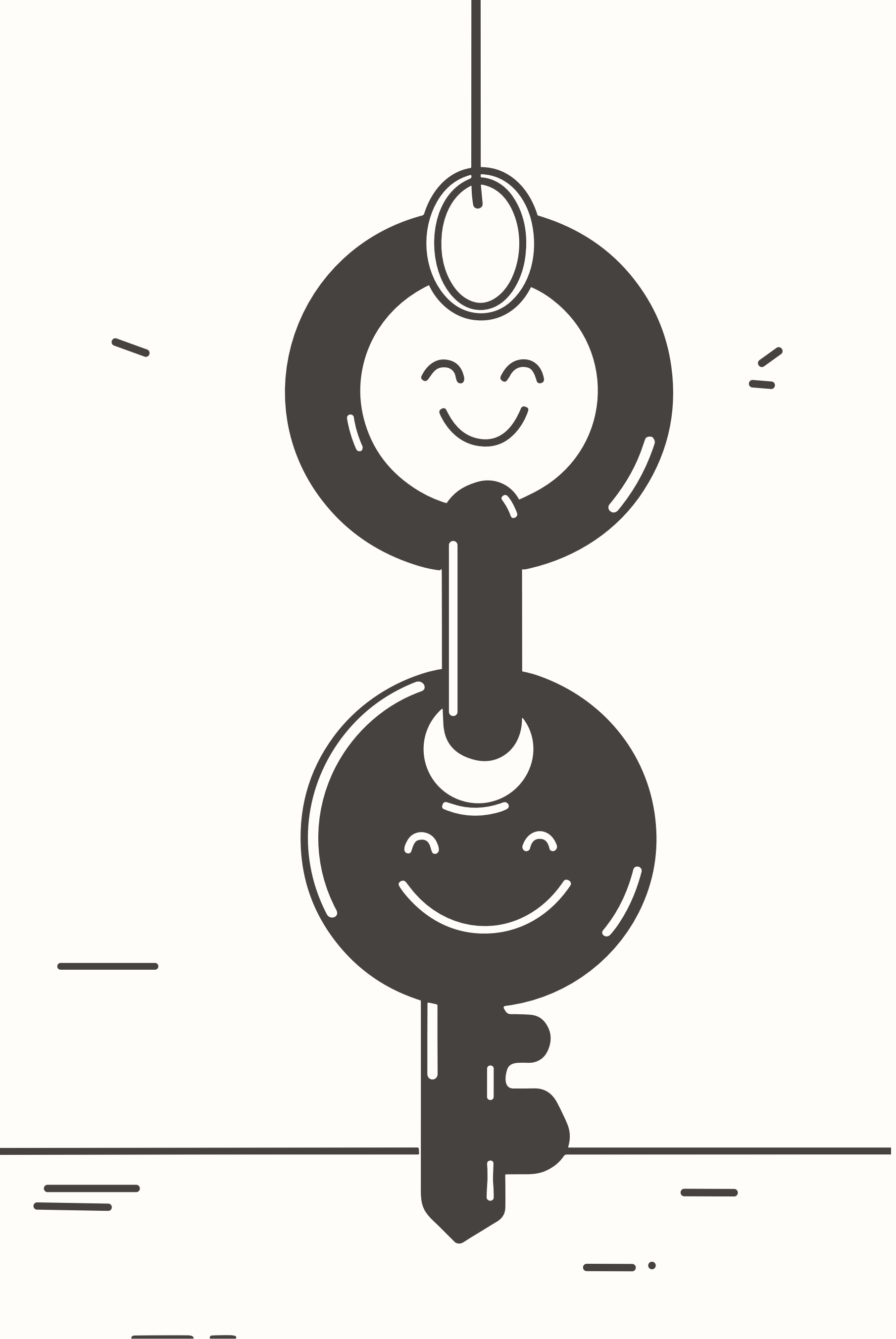
Inimitable

Costly or difficult for others to copy.

Organized

Firm structured to capture full value.

Each criterion builds on the last. Failing any one limits the resource's strategic potential.



☆ VALUE

V

Does this resource actually help the organization compete?

What Does "Valuable" Mean?

Customers pay for it

Enables the firm to offer something the market actually cares about

Reduces costs

In ways competitors cannot easily match

Defends against threats

Helps the firm respond to competitive shifts

Critical to performance

Removing it would significantly hurt results

⚠ Value is **not permanent** — reassess as the competitive environment evolves.

Value in Action

Toyota

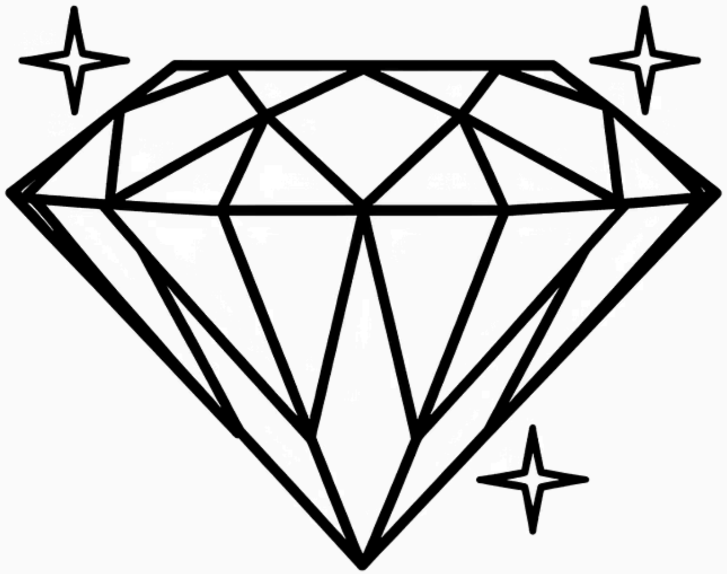
Production system reduces waste while improving quality

Google

Algorithm so accurate users have little reason to switch

University Faculty

Reputation attracts students and funding weaker institutions cannot



RARITY

R

Do competitors already have it too?

What Does "Rare" Mean?

A resource is rare if possessed by **only a few — or none** — of your competitors.

Rarity separates a resource that **keeps you competitive** from one that **gives you an edge.**

Without rarity, a valuable resource only prevents disadvantage — it does not create advantage.

Valuable but NOT Rare

- Point-of-sale system
- Food safety certifications
- Basic accounting software

Rarity in Action

Hermès

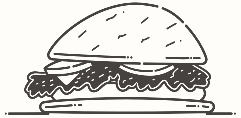
Artisanal skills requiring decades of training

SpaceX

Reusable rocket tech no private competitor could match

Michelin Chef

Extremely rare, commands premium pricing



Jollibee

Brand equity built over decades, not replicable quickly

IMITABILITY

I

How difficult is it for competitors to copy or replicate?

What Makes a Resource Inimitable?

Unique Historical Conditions

Built through circumstances that cannot be recreated

Causal Ambiguity

Competitors cannot fully understand why it works so well

Social Complexity

Depends on relationships, trust, and culture that cannot be engineered

Imitability in Action

Coca-Cola

Formula kept confidential for over a century, backed by irreplicable brand legacy

Amazon

Logistics network built over decades of capital investment and expertise

Southwest Airlines

Culture studied and consistently *failed* to replicate by competitors

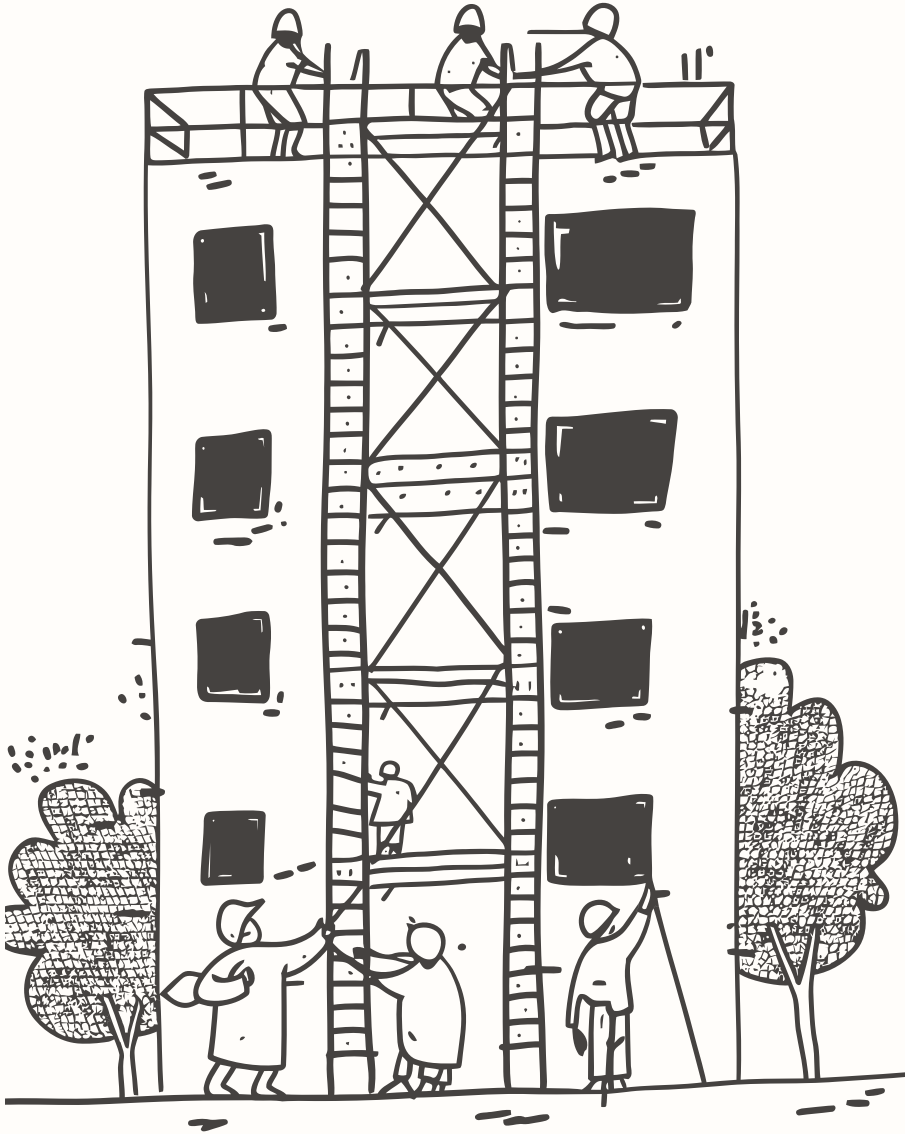
Ayala Corporation

Over 190 years of institutional relationships, trust

ORGANIZATION

O

Is the firm actually set up to capture the value of this resource?



What Does "Organized" Mean?

A firm is organized when its **structures, systems, culture, and processes** fully exploit a valuable, rare, and inimitable resource.

⚠ A firm can possess a remarkable resource and still **fail to benefit** if internal structure prevents it from being used.

- Clear reporting & decision authority
- Incentives that reward the right behaviors
- Strong cross-team coordination
- Culture that reinforces the resource's value

Organization in Action

Apple ✅

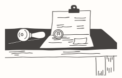
Design culture and supply chain control reinforce every advantage

Jollibee ✅

Standardized training replicates the brand consistently across franchises

Top Talent, Poor Facilities ❌

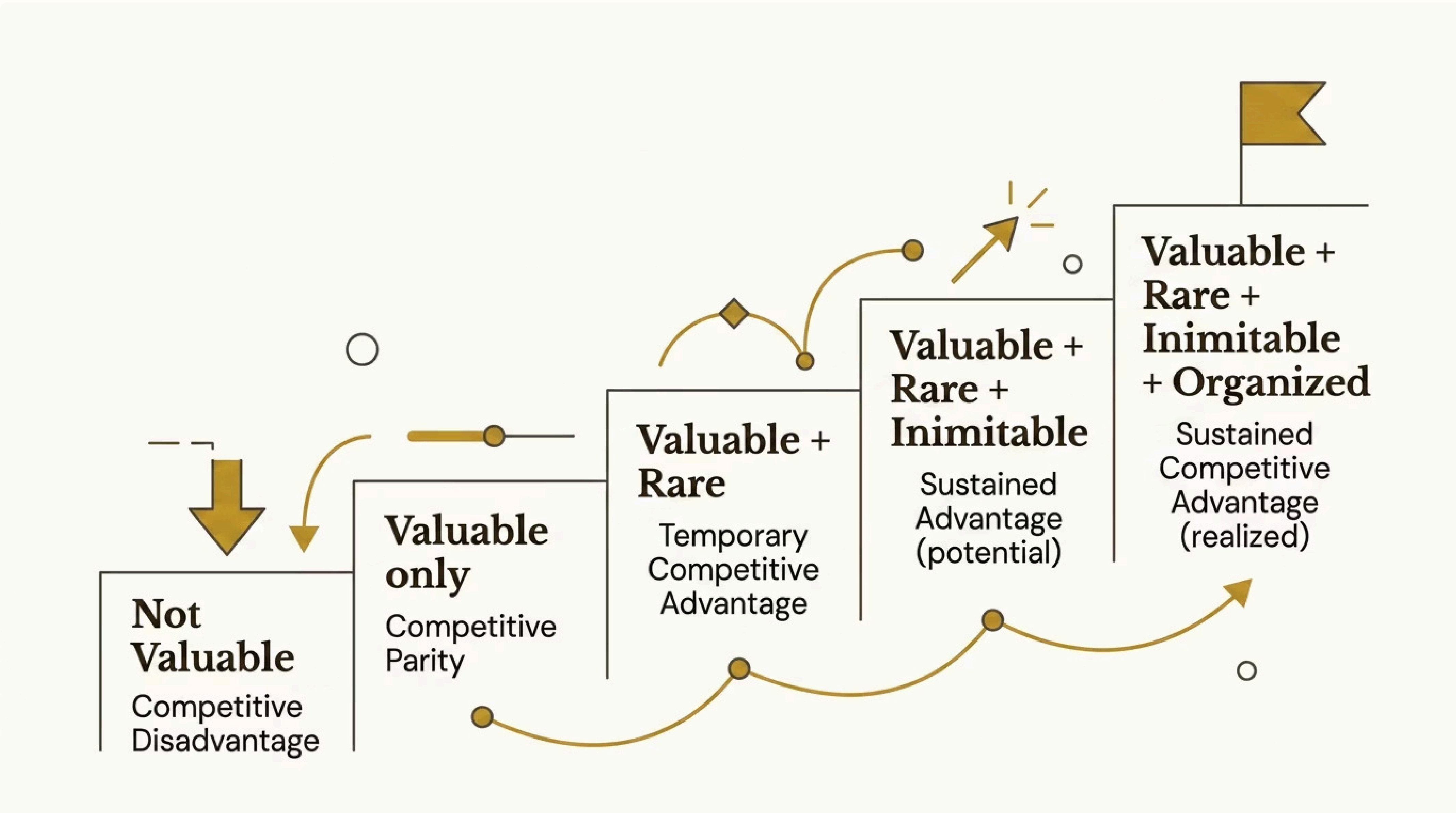
Resource cannot be exploited without the right environment



Patent, No Sales Team ❌

Asset generates no competitive benefit without execution capability

The VRIO Outcome Matrix



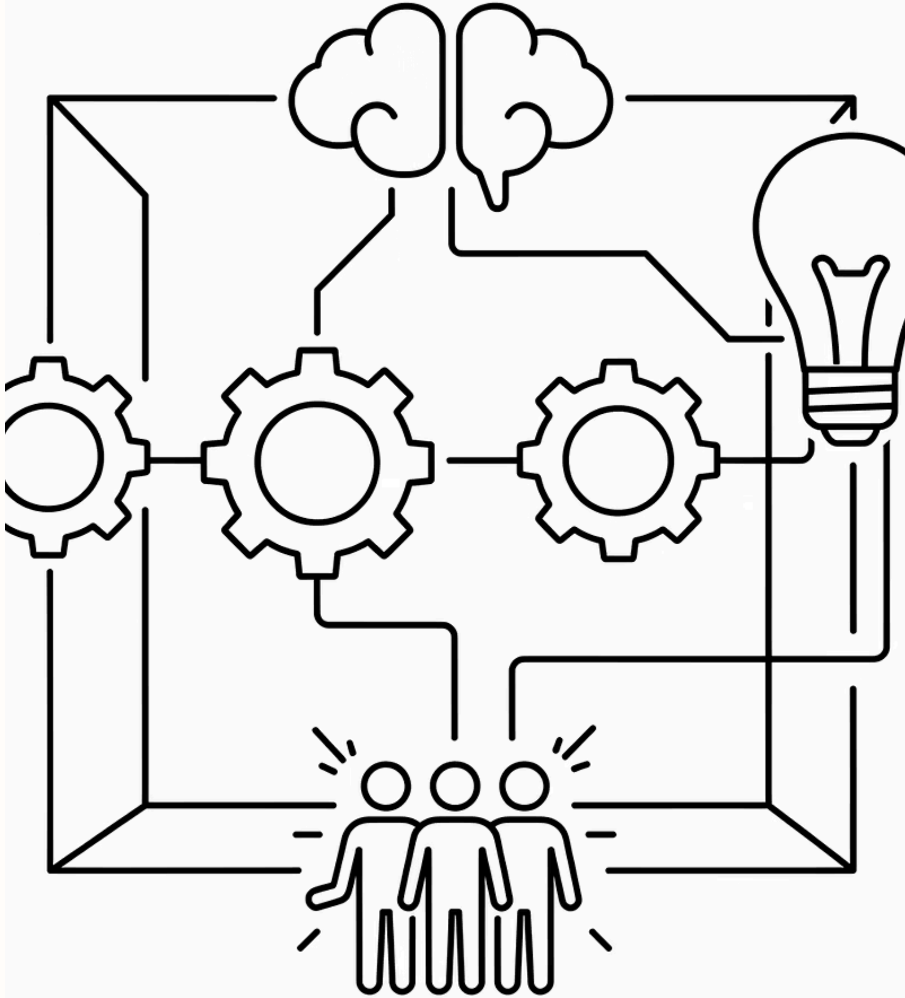
Each criterion unlocks a higher level of strategic value. Only when all four align does a resource deliver **sustained competitive advantage.**

Used alongside **PESTEL, Porter's Five Forces, and SWOT**, VRIO completes the strategic toolkit.

Competitive Advantage Is Built From the Inside Out

Lasting advantage comes from resources competitors **genuinely cannot replicate** — and an organization **built to use them every single day.**

> What does this organization actually have inside that allows it to win?



Why VRIO Still Matters

Look Inward

The firms that endure identify, protect, and organize around what truly makes them unique.

A Rigorous Lens

VRIO gives us a structured framework to evaluate what we have — and whether it truly drives advantage.

> Thank you for watching! Keep asking the right questions — because strategy starts from within.