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# STRENGTH ANALYSIS VRIO

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# STRENGTHS ANALYSIS VRIO

## SYSTEMATICALLY DEVELOPING COMPETITIVE ADVANTAGES

**The VRIO model is a strategic tool for analyzing and evaluating internal company resources and strengths. Four key criteria - value, rarity, imitability, and organization can be used to identify, evaluate, and implement competitive advantages. This enables companies to make optimal use of their unique competencies, take targeted action, and consolidate their market position in the long term.**

By Prof. (FH) DDr. Mario Situm, MBA, and Giuseppe Sorrentino, MA

### 1. THE BASIC IDEA BEHIND THE VRIO APPROACH

The VRIO model is a strategic analysis tool from the so-called Resource-Based View (RBV). While traditional concepts such as Porter's Five Forces tend to focus on the external competitive environment, the RBV directs attention inward. A key question is, "What resources and capabilities does a company have that set it apart from its competitors?"[1]. According to the RBV, the basis for long-term success lies in the company's own resources, identifying those resources as tangible (e.g., machinery, buildings, capital) or intangible (e.g., know-how, brands, patents, etc.). This is exactly where the VRIO model comes in. It enables the multitude of these resources to be systematically evaluated and determines the extent to which they offer a sustainable competitive advantage. The acronym VRIO stands for valuable, rare, inimitable, and organized.

***VRIO can be used to identify strengths
and competitive advantages can be implemented.***

A company can be successful in the short or medium term even if only some of these four criteria are met. However, sustainable and long-term advantages only arise when all four components are present. If even one is missing, the effect is significantly reduced. The core idea behind VRIO is that companies should not only look for new markets or fight against competitors, but should focus on something else. This means recognizing, developing, and protecting their own strengths, key resources, and core competencies. This creates a competitive advantage that competitors cannot easily catch up with or destroy. Internal resources that meet the VRIO criteria are difficult to imitate and are therefore particularly valuable. The VRIO model thus enables a targeted assessment. It identifies which resources are already "crown jewels" and therefore core

[1] Barney, J. B. (2000), Firm resources and sustained competitive advantage, in: Economics meets sociology in strategic management, p. 203 ff.

competencies? Where are the gaps or risks? How can the company's own capabilities best be developed to secure its value and future viability?

## 2. THE FOUR VRIO CRITERIA AT A GLANCE

The four VRIO criteria form a logic that can be used step by step to analyze and identify competitive advantages. The first criterion, "valuable," means that a resource is valuable if it increases customer benefit, boosts sales, or reduces costs. Without this value contribution, whether financial or reputational, no sustainable competitive advantage can be created. Secondly, "rare" means that a resource must be difficult for competitors to access and therefore rare in the market. If a capability, product, service, or business model is widely available or accessible, then it lacks exclusivity. Only rare resources create true differentiation.

The third criterion is "inimitable." The higher the barriers to imitation, the longer a competitive advantage can be maintained. Such barriers can relate to time, cost, or know-how. The basic idea behind this is simple - if something is easy to copy, its unique selling point will quickly disappear. The fourth VRIO factor is "organized," which means that the company must be structurally capable of utilizing a resource in such a way that its full potential is exploited. A lack of processes or poor organization will sooner or later render valuable, rare, and difficult-to-imitate resources ineffective. Ultimately, it is professional management that makes the difference.

***"If you don't have a competitive advantage, don't compete."***
***(Jack Welch, former CEO of General Electric)***

The V-R-I components (valuable, rare, inimitable) focus on the strategic differentiation of a resource, i.e., whether it represents a genuine strength. The O (organized) is essentially the steering wheel that provides the necessary infrastructure and processes to enable this differentiation to function in practice and become a competitive advantage in the market. The following graphic shows the respective VRIO fulfillment level, enabling a step-by-step classification of a resource[2] . The spectrum ranges from a competitive disadvantage to a long-term competitive advantage (see Fig. 1).

[2] Based on: Schmidt, A. (2015), Superior business models: Value creation and value extraction in turbulent environments, p. 228 ff.

| Fig. 1: VRIO criteria and classification | | | | |
|---|---|---|---|---|
| **V** **Valuable** | **R** **Rare** | **I** **Inimitable** (difficult to imitate) | **O** **Organized** | **Classification or effect** |
| **NO** | → | → | → | >> genuine competitive disadvantage |
| YES | **NO** | → | → | >> Neither advantage nor disadvantage |
| YES | YES | **NO** | → | >> short-term competitive advantage |
| YES | YES | YES | **NO** | >> Unused competitive advantage |
| YES | YES | YES | YES | >> Permanent competitive advantage |

## 3. THE IMPACT AND IMPLEMENTATION OF VRIO

Regardless of the economic situation, business sector, or company size, there are companies in all industries that have built competitive advantages through VRIO and continue to operate very successfully in the market. One example is Porsche

- **V-Valuable:** The company benefits from a long tradition of engineering excellence and strong customer loyalty. These aspects increase willingness to pay and ensure a loyal customer base, which makes the brand particularly valuable. Porsche's exclusive image sets the company apart and ensures high demand.
- **R-Rare:** Porsche has created a brand with its core values of prestige and global recognition. The brand's unique image and worldwide recognition make it a high-quality, rare commodity.
- **I-Inimitable (difficult to imitate):** Through its historical identity and emotional brand loyalty, Porsche has achieved a level of differentiation that is difficult to imitate. Patents and a distinctive design protect the brand and create high barriers to entry for competitors.
- **O-Organized:** Porsche has established a strong organizational foundation through strict quality controls, its own production facilities, and a global distribution network, including its own research and development department. These resources ensure consistent implementation of the differentiation strategy and secure market leadership.

Porsche meets all VRIO criteria, thereby securing a long-term and sustainable competitive advantage. Its rich history, exclusive image, and differentiation strengthen the company's reputation. Through continuous maintenance and further development, Porsche remains a leader and clearly stands out from the competition.

***VRIO can be used to analyze and improve brands, products, services, technologies, know-how, and skills can be analyzed and improved.***

The VRIO model shows the ideal case of a resource-based unique selling point, but in practice, not all resources permanently fulfill all four criteria. More important than perfection is identifying potential gaps, driving optimization, and taking targeted countermeasures. This requires prioritization. While one resource (e.g., brand) may meet all VRIO criteria, another resource (e.g., technologies or know-how) may remain limited. Therefore, the strategic focus should be adjusted to the potential of the respective resource. For a practical and structured VRIO analysis, a few key questions can be used for each criterion (see Fig. 2). First, the resources to be evaluated must be defined, such as brand, team, or technology. Each of these resources can then be analyzed separately and evaluated according to VRIO.

| **Fig. 2: Key questions for the VRIO analysis** | |
|---|---|
| **V-Valuable** | • Benefit focus: Does the resource directly solve or address a customer problem or create added value?<br>• Value contribution: Does it lead to higher revenues (e.g., premium prices) or lower costs (efficiency)?<br>• Reputation: Does the resource promote brand image or market penetration? |
| **R-Rare** | • Competitive density: Do few or no competitors have this resource?<br>• Exclusivity: Is the resource easy to obtain from external sources (value chain), or is it closely tied to the company (legal protection)?<br>• Distinctiveness: Is there a unique component (e.g., brand history, design, technology, etc.)? |
| **I - Inimitable**<br>(difficult to imitate) | • Time and cost factor: Do competitors have to make high investments to copy the resource?<br>• Legal protection: Does the company have patents, copyrights, trademark protection, etc.?<br>• Complexity: Is it a combination of several capabilities (e.g., know-how, technology, process innovation)? |
| **O-Organized** | • Internal processes: Are there suitable structures and workflows in place to promote and utilize the resource?<br>• Management and culture: Do leadership and corporate culture support the meaningful use of the resource?<br>• Further development: Is there a system in place to continuously maintain and further develop the resource? |

## 4. CONCLUSION AND OUTLOOK

The VRIO analysis offers a focused view of a company's strategic resources. It is particularly suitable for assessing the long-term nature of competitive advantages and identifying potential for their expansion or protection. The VRIO analysis can be applied both when founding a company and in an existing business model. Regular review and targeted derivation of strategic measures allow strengths to be expanded and risks to be identified. The four VRIO criteria must be considered together, because only in combination and with balance can a sustainable advantage be achieved. Company management should carry out a VRIO analysis at regular intervals (see Fig. 3) because markets, customer needs, and competitors change. Globalization, tariffs, sustainability, digitalization, and AI are just a few of the many issues that have an impact on competitiveness. VRIO is therefore a program for company management to turn a resource into a real strength.

| Summary: Application and Benefits |
| --- |
| 1. Compact and systematic evaluation of internal company resources based on the four VRIO criteria<br>2. Identification, evaluation, and further development of resources critical to success<br>3. Clarity about the interaction of resources and measures to strengthen the competitive position |

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| Fig. 3: VRIO Strength Analysis – Tool and Example (Textile Industry) | | |
|---|---|---|
| A medium-sized fabric processing and finishing company conducts a VRIO analysis for selected resources: brand, technology, and team or know-how. | | |
| **1. Resource: Brand** | | |
| **Criterion** | **Evaluation** | **Reason** |
| **Valuable** | YES | High willingness to pay and brand loyalty result from a long history, emotional customer loyalty, and association with luxury and tradition. |
| **Rare** | YES | Only a few fashion companies have decades of history with high prestige value. |
| **Unique** | YES | The brand and family history built up over generations is virtually impossible to copy, as it encompasses established structures and stories. |
| **Organized** | YES | The company focuses specifically on brand communication (own stores, heritage campaigns, social media) and constantly cultivates its image. |
| **Conclusion** | **Sustainable competitive advantage**: The "brand" resource is strongly pronounced in all four criteria. No one can simply "recreate" history or credibility.<br>The brand heritage provides a lasting advantage. To maintain this in the long term, the company should continuously invest in storytelling, brand culture, and exclusive presentation. Neglecting this maintenance could diminish the advantage over time. | |
| **2. Resource: Technology** | | |
| **Criterion** | **Evaluation** | **Reason** |
| **Valuable** | YES | The company has a high-quality, innovative fiber blend that offers noticeable added value (comfort, durability, aesthetic features). |
| **Rare** | YES | Only a few companies have access to this exact patented fabric composition and exclusive manufacturing processes or suppliers. |
| **Unique** | NO | Once the patents expire or through similar R&D efforts and investments, competitors can develop equivalent fabrics. |
| **Organized** | YES | Research, development, and production capacities are tailored to the material technology and can therefore work efficiently. |
| **Conclusion** | **Temporary competitive advantage:** The resource is valuable and rare, but not permanently protected from imitation. The advantage is limited in time once patents expire or similar technologies are developed. In the medium term, the material technology still offers an advantage, but the company should act strategically (e.g., renew patents, strengthen brand) to keep new imitators at bay. Otherwise, there is a risk of losing the unique selling point. | |
| **3. Resource: Team and know-how** | | |
| **Criterion** | **Evaluation** | **Reason** |
| **Valuable** | ... | ... |
| **...** | | |


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