

The VRIO Framework

The VRIO is a tool built around a set of questions designed to uncover your business's sustainable competitive advantage. These are unique to your way of delivering value and unlikely to be copied by competitors in the near future.

VRIO stands for **Value, Rarity, Imitability, and Organization**.

More information on this model is available here: <https://digitalleadership.com/UNITE/vrio-framework/>

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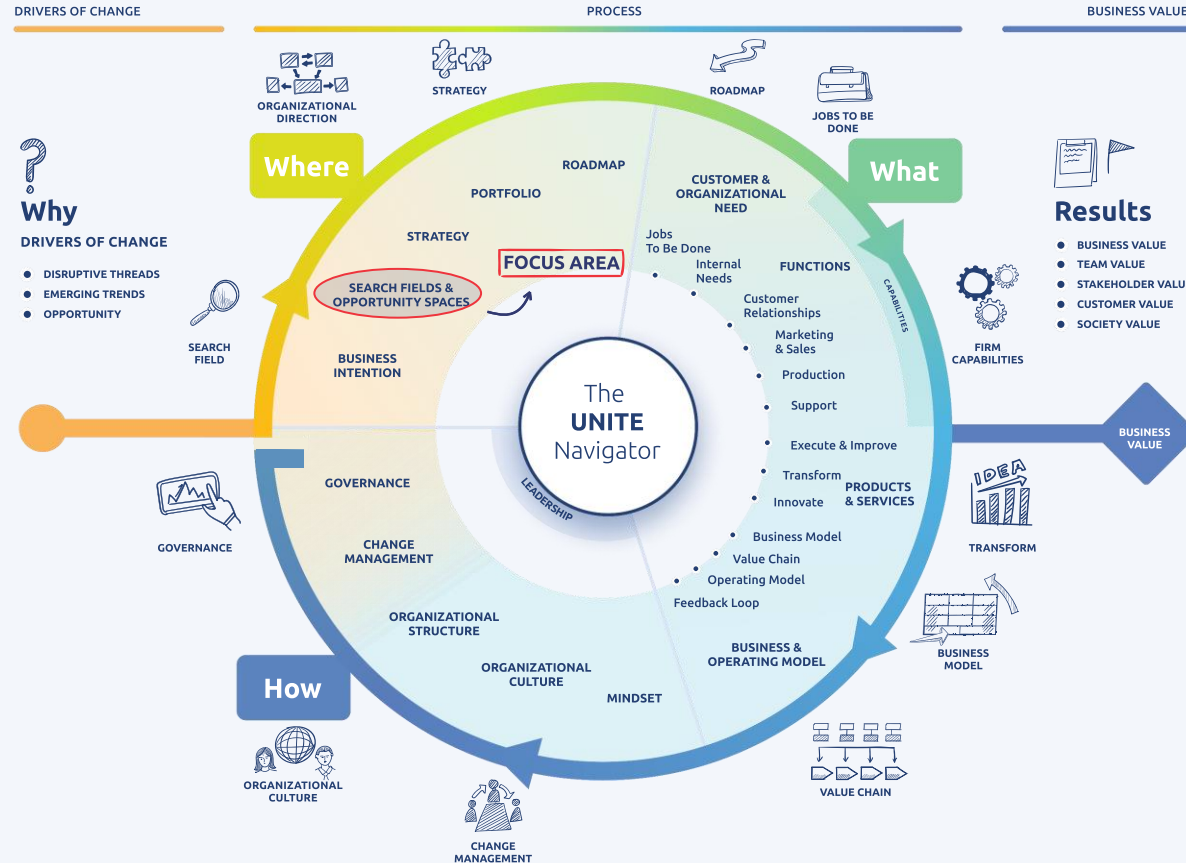
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THE UNITE NAVIGATOR – An overview and introduction to all UNITE models



- > The UNITE models are the by far largest library of innovation and transformation models on the Internet. They cover all areas of digital strategy, innovation, transformation as well as any related field.
- > The UNITE Navigator provides an introduction and overview of all digital-related fields.
- > As part of this presentation, we will focus on *identifying your business's sustainable competitive advantage*

Background to VRIO Model

Why we use it

Smart leaders are always concerned about their organization's position in the marketplace and therefore should regularly evaluate how to maintain competitiveness.

The VRIO Framework is a tool that helps you recognize the elements of your business that contribute to the advantages you have over your competition.

How it works

The VRIO framework works by evaluating four key aspects of a company's resources and capabilities:

- > Value
- > Rarity
- > Inimitability
- > Organization

Based on the results of this analysis, a company can determine whether a resource or capability provides a sustained competitive advantage.

If a resource or capability meets all four criteria, it is considered a "vrio resource," and is considered a valuable source of sustained competitive advantage for the company.

If a resource or capability does not meet all four criteria, the company may need to consider investing in it or finding alternatives that can provide a sustained competitive advantage.

What is the goal

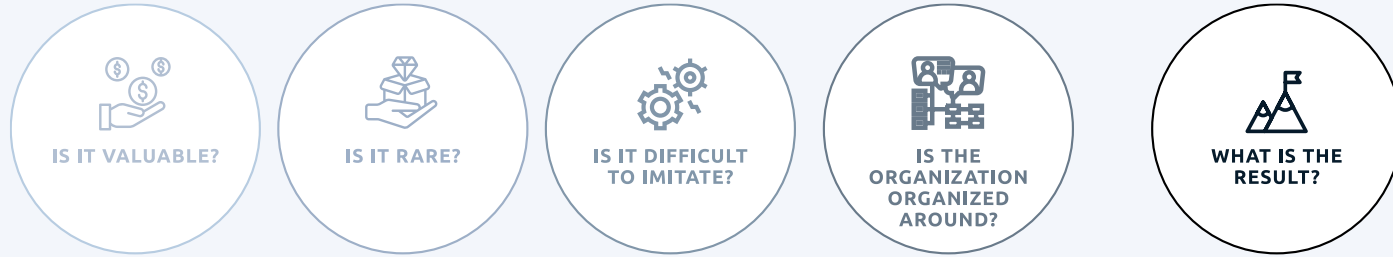
At its core, the goal of the VRIO Framework is to identify the resources and capabilities necessary for a business to **maintain its competitive advantage** in the marketplace

VRIO Model Definition

The VRIO is a tool built around a set of questions designed to uncover your business's sustainable competitive advantage. These are unique to your way of delivering value and unlikely to be copied by competitors in the near future.

The Model focuses on maintaining a business's competitive advantage through evaluating a business based on Value, Rarity, Imitability, and Organization.

THE VRIO FRAMEWORK



✗ No				Competitive Disadvantage
✓ Yes	✗ No			Competitive Equality / Parity
✓ Yes	✓ Yes	✗ No		Temporary Competitive Advantage
✓ Yes	✓ Yes	✓ Yes	✗ No	Unused Competitive Advantage
✓ Yes	✓ Yes	✓ Yes	✓ Yes	Long-term Competitive Advantage

VRIO ANALYSIS FOR STRATEGIC PLANNING

1

**Identify Resources and Capabilities**

List the resources and capabilities

Financial

Material

Human

Non-Material

2

**Conduct a VRIO Analysis**

Use the four VRIO questions to evaluate the resources/capabilities

Plan to **get back** to the resource/capability when the conditions change

Is there the **potential to improve** resources/capabilities with a „No“ answer?

X No

✓ Yes

3

**Create a Strategy Map**

Use the most promising resources/capabilities to formulate a strategic hypothesis

✓ Yes

Can we **maintain/improve** the resource/capabilities?

Valueable

✓ Yes

Rare

✓ Yes

Inimitable

✓ Yes

Organized

✓ Yes

X No

X No

X No

X No

THE UNITE BUSINESS MODEL SCORECARD

Rate your performance on a scale of 0 to 10:

 1 – LEVERAGING EXISTING CAPABILITIES & ASSETS Have you appropriately leveraged relevant assets & capabilities? 0 ————— 10 0 - No, we have not 10 - Yes, we are fully leveraging differentiating assets & capabilities	 7 – EASE OF ADOPTION & USE How well will your target segment become a customer of yours? 0 ————— 10 0 - This is going to be difficult 10 - There are no major inertia nor fears preventing people from switching to our product
 2 – UNFAIR ADVANTAGE How strong and defensible is your Unfair Advantage? 0 ————— 10 0 - Nonexistent 10 - We have a defensible Unfair Advantage that translates into high profitability	 8 – COST STRUCTURE How well is my cost structure setup? 0 ————— 10 0 - High cost base, we incur high costs before being able to sell 10 - Very low cost base, we earn our revenues before incurring any costs
 3 – LOCK-IN EFFECT How high are the costs to your customers of switching to another solution? 0 ————— 10 0 - There are no costs 10 - Switching is highly difficult & expensive	 9 – IMITABILITY How well does the business model protect you from competitors? 0 ————— 10 0 - Our Business Model can easily be copied 10 - Our Business Model is very tough to copy, thanks to our unique business architecture
 4 – REVENUE STRUCTURE To what degree are your revenues recurring? 0 ————— 10 0 - All our sales are one-time 10 - All of our sales lead to automatically recurring revenues	 10 – INVESTMENT REQUIRED How much money do you require? 0 ————— 10 0 - Major investments required and we won't break even for years 10 - Initial investments are low and we anticipate breaking even quickly
 5 – SCALABILITY How well can the Business Model be scaled? 0 ————— 10 0 - Substantial resources and effort are required to scale 10 - As we increase our sales volume, our efforts hardly increase	 11 – TIME TO MARKET What is the time to market? 0 ————— 10 0 - We can be live within weeks 10 - It will require years of preparation and the related risk is high
 6 – TIMING Are you moving into this market at the right point in time? 0 ————— 10 0 - We are way too early or late 10 - The timing is perfect	 12 – QUALITY & EXPERIENCE OF YOUR TEAM Do you have a team in place capable of getting the job done? 0 ————— 10 0 - Unclear, no winning team is yet in place 10 - Strong & entrepreneurial team in place able to execute
Total score: _____	

- > You somehow want to test your Business Model. A good initial test will be to apply the UNITE Business Model Scorecard to it!
- > Building on the lessons from 100s of start-ups and innovations, we have put together a model that covers the most critical questions allowing you to challenge your very own business model.
- > Leverage the UNITE Business Model Scorecard to assess your own business model. Apply the most critical 12 questions against each iteration of your business model to help you identify winning designs and gauge if you are making progress.
- > *Attention: we love the Business Model Scorecard! But it does not replace a real-world test and MVP!*

 **THE UNITE BUSINESS MODEL SCORECARD**
 Download the UNITE Models for FREE


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 Designed by: Digital Leadership AG – digitalleadership.com. Building on the work of Alexander Osterwalder / Strategyzer.com.

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<<this could be you>>

Your title and job

Brief experience, education, certificates etc.

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Your title and job

Brief experience, education, certificates etc.

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- > **The model will be published OpenSource under your name.**
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OUR TEAM OF PARTNERS at Digital Leadership are executive-level professionals with outstanding leadership and delivery capabilities in their respective areas. What unites us is our values and beliefs, strong methodological foundation, 'Digital Leadership' experience and our willingness to drive change jointly with our customers.



**THE LARGEST SET OF
METHODOLOGY GLOBALLY.**

THE UNITE MODELS are the by far largest library of innovation and digital transformation models available on the market globally. They cover all important domains end2end and uniquely – they are deeply integrated. Please be invited to leverage them in your organization. **Let's UNITE and create a world worth living in !**



**THE BOOK ABOUT HOW
TO CREATE INNOVATION**

HOW TO CREATE INNOVATION is a practical, comprehensive, OpenSource guide for successful innovation and digital transformation. The UNITE initiative and movement, supported by a global team of industry leaders and innovation researchers, aims to spark a revolution in global innovation and transformation.

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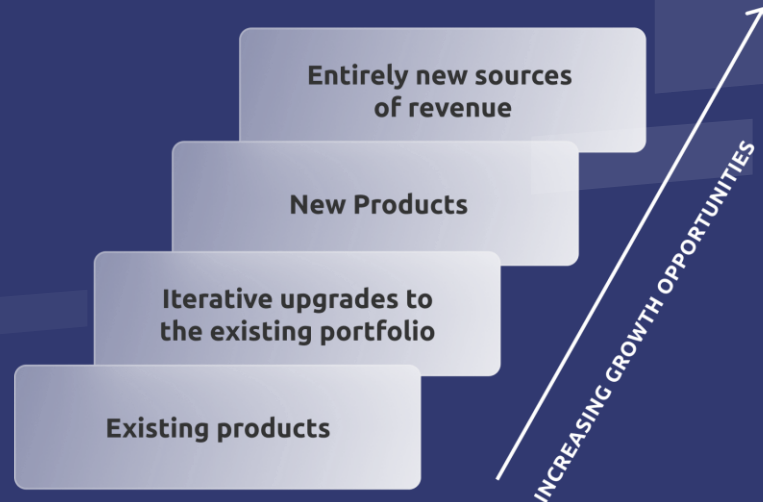
Digital Leadership has successfully helped corporate start-ups find their footing and Top-Five players in all sectors around the world identify and create new opportunities.

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Take control of your game!
Schedule your free business
assessment call with our team!



Discover our Digital Transformation Practice

Digital transformation is an art few manage well



Digital transformation is often much more complex than we think. You often touch one element to find out that it has systemic impacts on all other areas.

In addition, we find strategies to be stuck too often in silos. Rather than focusing on one bit, we bridge the silos, develop a vision everybody will buy into, and create a unifying strategy and roadmap for getting there, including realigning the value-, service-, experience- and operating model.



SCHEDULE YOUR INITIAL CALL

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Thank you!
Let's UNITE and create a world worth living in!

Do you want to share your knowledge as well?

Share my knowledge with the world!