



The VRIO Framework

In this guide we will cover:

- ◆ What does VRIO stand for?
- ◆ What does VRIO help you achieve?
- ◆ Breaking down VRIO into its four components
- ◆ Checklist: Did you get VRIO right?
- ◆ What to do with the output from your VRIO
- ◆ The pros and cons of using the VRIO
- ◆ VRIO vs. SWOT
- ◆ VRIO vs. competitive advantages

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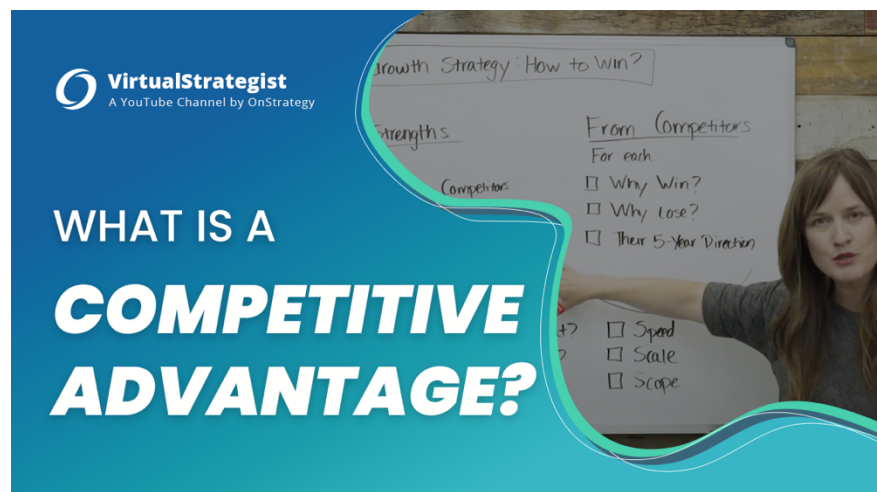
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What is VRIO?

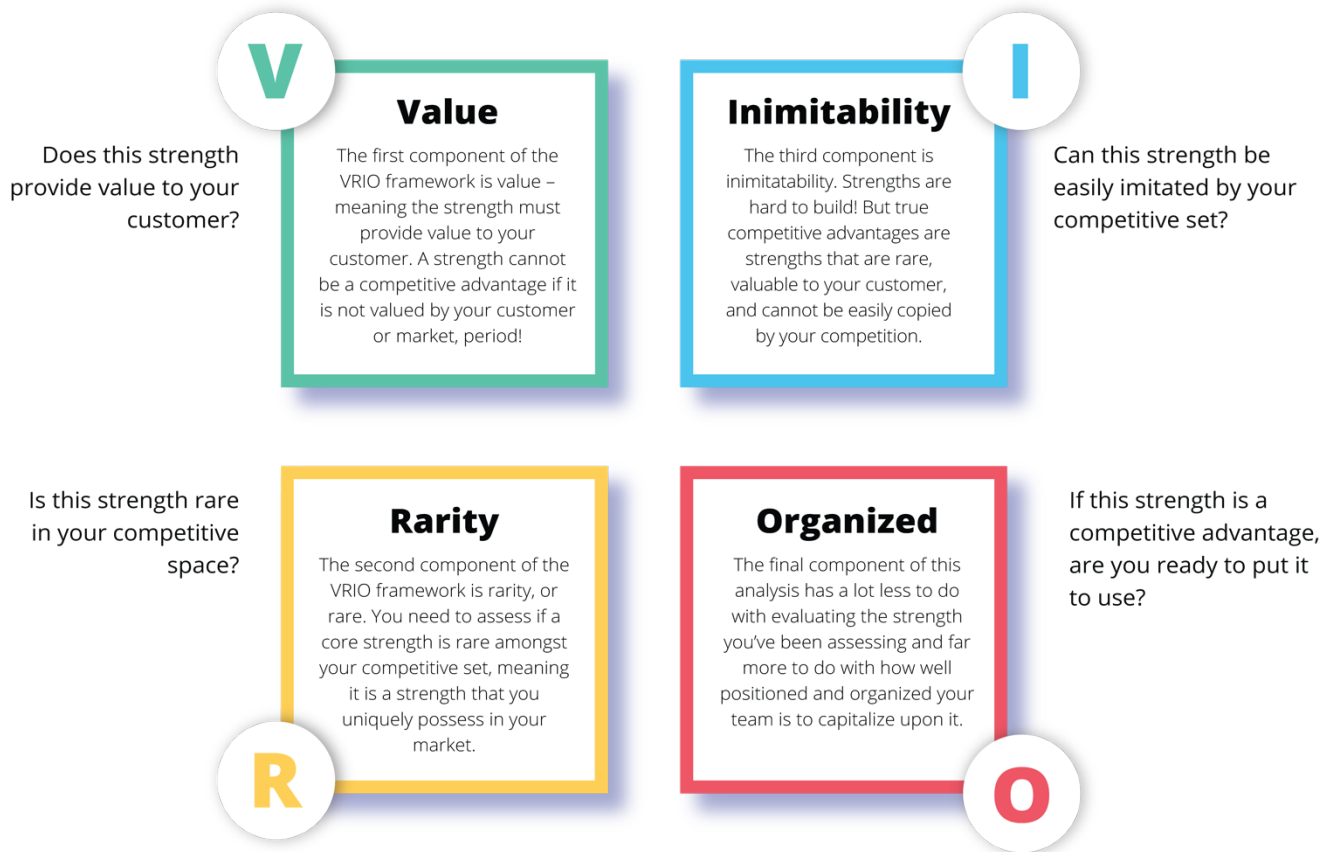
VRIO Stands for Value, Rarity, Inimitability, and Organization

VRIO stands for value, rarity, inimitability, and organization; this tool and framework is designed to help organizations identify and leverage the unique resources and capabilities that makeup long-term, sustainable competitive advantages.

What's important to remember is that the VRIO framework is used to evaluate strengths for competitive advantages. **As a quick refresher, sustainable competitive advantages are a set of assets, characteristics, or capabilities that allow an organization to meet its customer needs better than its competition.** Competitive advantages are difficult to duplicate or replicate. Check out our post on [competitive advantage here](#).



[Watch the Video Here](#)



Pro-Tip: Competitive advantages aren't just a list of strengths. The VRIO framework evaluates your strengths to help you identify which are your competitive advantages and which are just strengths.



Caution! Do not proceed unless you've completed your SWOT Analysis

Before using the VRIO framework, you must complete a SWOT analysis to gather your organization's current-state strengths to evaluate for competitive advantages. This is because VRIO, at its core, looks at your current state strengths to consider competitive advantages.

Other articles and resources will recommend that you evaluate all of your strengths, resources, and internal forces for competitive advantages. **We disagree.** Arbitrarily running all your organization's attributes, assets, and strengths through this framework will be exhausting and less fruitful than a focused effort. [Check out the SWOT guide here.](#)

Breaking Down the VRIO Framework

As we break down the core components of the VRIO acronym, we will examine how to evaluate your core strengths against each piece.

Does this strength
provide value to your
customer?

V

Value

The first component of the VRIO framework is value – meaning the strength must provide value to your customer. A strength cannot be a competitive advantage if it is not valued by your customer or market, period!

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Questions to consider:

- ◆ Does the strength add value to customers?
- ◆ Can you capitalize on it to grow your organization, or beat your competitors?

Completing the value analysis:

- ◆ If it's deemed valuable to your customer, move on to the rarity section of the framework.
- ◆ If it's not beneficial to your customer, move on to your next strength.

Is this strength rare
in your competitive
space?

Rarity

The second component of the VRIO framework is rarity, or rare. You need to assess if a core strength is rare amongst your competitive set, meaning it is a strength that you uniquely possess in your market.

R

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By definition, sustainable competitive advantages are key advantages your organization possesses. If your competitors also possess it, it is no longer an advantage.

Questions to consider:

- ◆ Is this strength unique to your organization?
- ◆ Do your competitors also possess this strength?

Completing the rarity analysis:

- ◆ If you possess this strength and your competition doesn't, move on to the next step.

- ◆ If it's not rare in your competitive market, it's just a table stake. Maintain the strength to stay competitive in your market, but it's probably not key to your growth strategy.

Inimitability

The third component is inimitability. Strengths are hard to build! But true competitive advantages are strengths that are rare, valuable to your customer, and cannot be easily copied by your competition.

Can this strength be easily imitated by your competitive set?

Inimitability

The next step is to evaluate if a strength can be easily imitated. We all know strengths are hard to build! But true competitive advantages are strengths that are rare, valuable to your customer, and **cannot** be easily copied or imitated by your competition.

So, for strength to be a competitive advantage, it has to be inimitable – yes it's a mouthful, and it's a little silly to say. Just remember that it can't be copied. If it can, it might be a shorter-term market advantage.

Questions to consider:

- ◆ Can this strength be easily copied by your competition? Would it take a significant effort to replicate this strength?
- ◆ Would you consider this strength one of your competitive moats – meaning it would be hard for your competition to penetrate?

Completing the inimitable analysis:

- ◆ If the strength is hard to imitate, move on to the final section of this framework.

- ◆ If it's a strength, it's unique, it's rare, but your competition can copy it; feel free to use it short-term in your growth strategy.

Organized

The final component of this analysis has a lot less to do with evaluating the strength you've been assessing and far more to do with how well positioned and organized your team is to capitalize upon it.

If this strength is a competitive advantage, are you ready to put it to use?

O

Organized

The final component of this analysis has a lot less to do with evaluating the strength you've been assessing and far more to do with how well positioned and **organized** your team is to capitalize upon it.

Essentially, a strength cannot be realized as a competitive advantage until your team decides to leverage it! There are many ways we recommend competitive advantages – as fodder for your strategic plan's annual objectives, as the backbone of your organization's core growth strategies, and to help set the direction of your organization's future.

Questions to consider:

- ◆ How are you going to leverage this competitive advantage?
- ◆ Are you going to use this to create your growth strategy?
- ◆ Will you use this to start or drive your vision of the future?
- ◆ How will you use this advantage in your organization's strategic plan and annual objectives?

Completing the inimitable analysis:

- ♦ If you know how to use this competitive advantage, you're all set!
- ♦ If you're unsure how to leverage it, check out our growth strategy guide, visioning guide, and guide for setting strategic objectives for inspiration.

VRIO: Evaluating if you got it right**✅ The output gives you advantages that are the best of your core strengths.**

Your identified competitive advantages are also the best of the organization's core strengths. We recommend completing a SWOT analysis before considering the organization's competitive advantages.

✅ Your advantages represent what your customers value most about your organization.

If you were to acquire a new customer right now, would that new customer value this advantage? The answer needs to be yes.

✅ Your advantages represent what your customers value most about your organization.

True competitive advantages are difficult for competitors to replicate. These advantages give you a long-term edge that makes it harder for competitors to compete with you.

What to do after completing your VRIO analysis**Build a growth strategy**

The most important thing you can do with your newly minted competitive advantages is leveraging them in your growth strategy! You can check out the [full guide on building a growth strategy here](#).

Revise or create a vision statement for the future

Sometimes, you might consider revising or recasting your vision of the future. Does your key position in the marketplace change your vision of the future? [Check out the visioning guide here](#).

Build your plan's annual objectives

Core advantages need to be used and leveraged as you build your organization's core objectives and key results. [You can check out the OKR guide here.](#)

Pros and Cons of Using the VRIO Framework

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|--|--|
|  Identifies Advantages: Very simply, this exercise helps identify advantages! |  Acronym is Confusing: The acronym itself is a little confusing and clunky to remember. |
|  Informs Growth Strategy: The output from this exercise helps build your advantages, which are used at the very core of your growth strategy – and every organization needs an approach to growth! |  It can get unfocused: Other resources tell you to run all of your strengths, resources, and capabilities through this framework. If you follow that advice, it can get unfocused. |
|  Easy to Follow: Many teams like to use this framework because it's a linear approach to evaluating strengths. Sometimes following a linear approach is nice! |  Only focused on internal analysis: Like many competitive advantage exercises, it only focuses on internal strengths. You also need external opportunities to build a great growth strategy. |

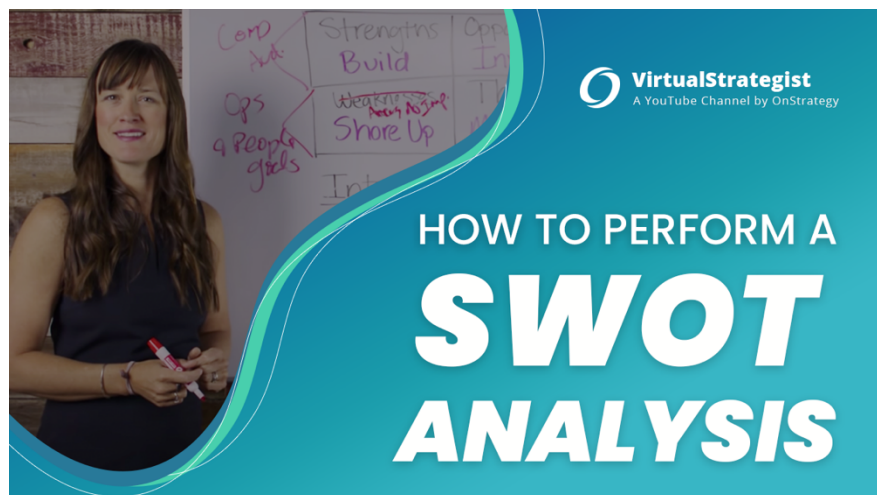
VRIO FAQs

SWOT vs. VRIO: What are the differences?

Strategic planning processes use several tools and frameworks, including SWOT and VRIO. While both SWOT and VRIO can be used in the early stages of strategic planning, they are different tools with different purposes.

SWOT focuses more broadly on assessing strengths, weaknesses, opportunities, and threats that may arise from internal and external factors; it can help prioritize your strategic initiatives by looking at what you're doing well and not well internally and what external market forces are headwinds and tailwinds.

The VRIO framework helps you evaluate your internal strengths to assess their potential to strengthen your firm's competitiveness; it is useful when conducting an internal analysis to pinpoint areas of competitive advantage.



[Watch the Video Here](#)

Competitive Advantages vs. VRIO: What are the differences?

The VRIO framework is used to identify competitive advantages. They are interrelated, but not the same thing.

VRIO assesses your strengths to see if they're valuable to your customer, rare in your marketplace, inimitable by your competition, and organized to be used in your plan.

Competitive advantages are core strengths that are unique to your organization and are the backbone of your growth strategy.

Are there other ways to identify competitive advantages than using VRIO?

Yes, there are other ways and exercises you can use to identify your competitive advantages! [You can check out our full guide, canvas, and video on competitive advantages.](#)



Need help identifying your advantages?
Reach out to learn how a senior strategy
expert can help!

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