

Firm Resources & Sustained Competitive Advantage

Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable over time, this article examines the link between firm resources and sustained competitive advantage. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage (the VRIO framework) are discussed.



What if?

Resources were homogenous and mobile...

- ✓ Any strategy implemented by one could be duplicated by another
- ✓ THEREFORE, within this context sustained competitive advantage would not be possible

But what about:

- ? First Movers
- ? Barriers to Entrance



Both require heterogeneity!

BOTTOM LINE:

Sustained Competitive Advantage requires the condition that resources are heterogenous & immobile

THE VRIO FRAMEWORK

In order for a resource to offer the potential of sustained competitive advantage it must meet one of four criteria!

Valuable

Value is the extent to which a resource allows an organization to exploit opportunities and/or neutralize threats.

Rarity

Rarity reflects the availability of a valuable resource; a valuable resource that is not rare cannot sustain competitive advantage.

Imitability

A valuable and rare resource, if easily reproduced, cannot support sustained competitive advantage.

1. historical conditions
2. causal ambiguity
3. social complexity

Substitutability

The resource must not have an equivalent if it is to support a sustained competitive advantage.

References

Barney, J. (1991). Firm resources and Sustained competitive advantage. *Journal of Management*, 17(1), 99–120.

<https://doi.org/10.1177/014920639101700108>