TEMPLATE 03 · CAPABILITY

VRIO Capability Analysis

Four questions that separate the capabilities that genuinely set you apart from the ones that only keep you in the game.

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ASK FOUR QUESTIONS, IN ORDER

V — Valuable

Does it let us exploit an opportunity or counter a threat?

Test: would customers pay more, or would costs rise, without it? Point to the numbers.

R — Rare

Do only a few competitors have it?

Test: could a customer get the same thing from three or more rivals today?

I — Inimitable

Is it costly or slow for others to copy?

Look for history, know-how spread across many people, relationships, or rights such as patents.

O — Organised

Are we set up to capture its value?

Check structure, processes, incentives, data and leadership attention. This is where most firms fall short.

Tangible resources
Plant, locations, IT estate, cash, proprietary data.

Intangible resources
Brand, reputation, patents, licences, customer relationships.

Capabilities
What you do with resources: pricing, integration, product development, service.

> *Capabilities beat assets. Assets can be bought, but a capability built over years is much harder to copy.*

OUTCOMES, AND WHAT TO DO ABOUT EACH

V	R	I	O	COMPETITIVE OUTCOME	WHAT TO DO
No	–	–	–	Disadvantage	Fix it if it's essential, outsource it if it isn't. Stop investing in it as if it were strategic.
Yes	No	–	–	Parity	Keep it at industry standard, as cheaply as possible. Benchmark it rather than gold-plate it.
Yes	Yes	No	–	Temporary advantage	Exploit it fast, before rivals catch up. Plan what will replace it.
Yes	Yes	Yes	No	Unused advantage	Your quickest win. Fix the structure, processes or incentives that stop you capturing the value.
Yes	Yes	Yes	Yes	Sustained advantage	Protect it, invest in it and build strategy around it. Watch for anything that could make it irrelevant.

GETTING AN HONEST ANSWER

- **Be specific.** “Our people” is not a capability. “Engineers who can redesign a client's process on site in a week” is.
- **Ask outsiders.** Customers and recent hires will tell you what is really rare. Internal teams tend to overrate it.
- **A “maybe” is a “no”** until you have evidence. Write the evidence on the worksheet.
- **Revisit yearly.** Today's advantage is tomorrow's parity as competitors catch up.

VRIO worksheet

BUSINESS / UNIT

DATE

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#	RESOURCE OR CAPABILITY	TYPE	V VALUABLE	R RARE	I INIMITABLE	O ORGANISED	OUTCOME	EVIDENCE	ACTION
01		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
02		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
03		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
04		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
05		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
06		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
07		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
08		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
09		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
10		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
11		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
12		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		
13		T · I · C	Y / N	Y / N	Y / N	Y / N	DIS · PAR · TEMP UNUSED · SUST		

Disadvantage ☐
Fix or outsource

Parity ☐
Run efficiently

Temporary ☐
Exploit fast

Unused ☐
Organise to capture

Sustained ☐
Protect and build on