

EXERCISE (in groups): Enhancing competitive advantage

Quickly select a business to analyze from those that you know and prepare an elevator pitch that recommends a change to its value chain that will preserve / enhance a competitive advantage.

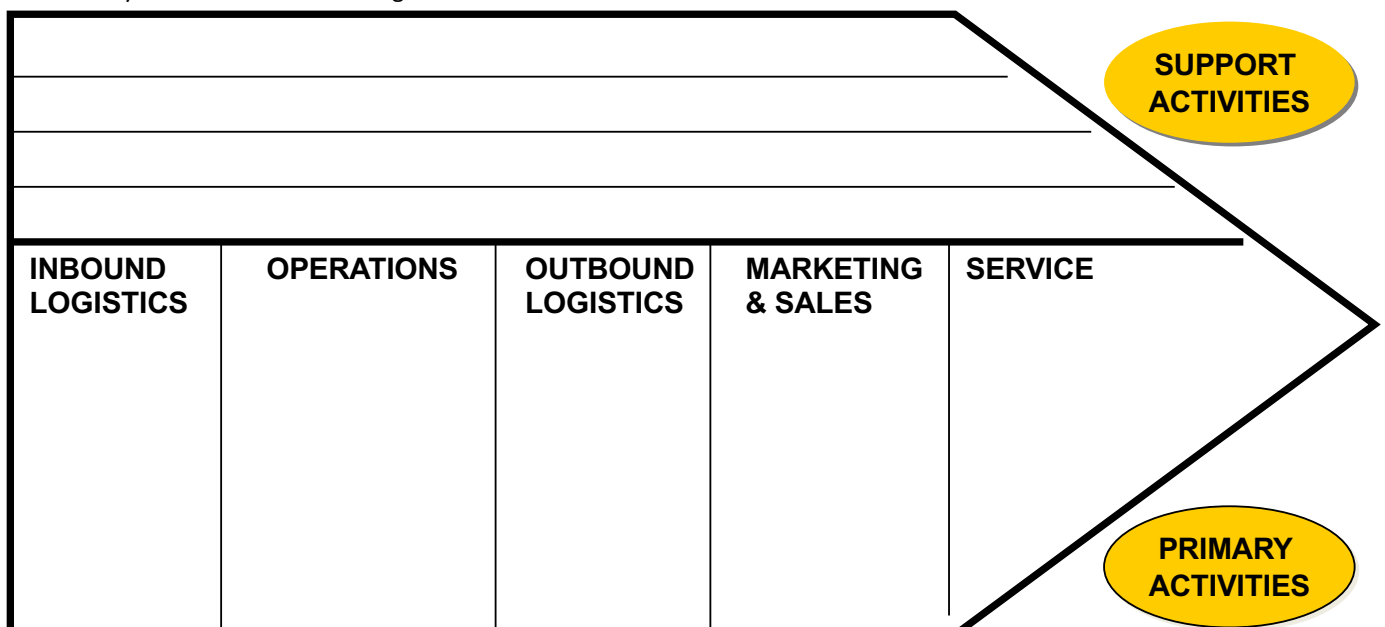
- Identify the critical resources / capabilities in the business' value chain that create value (i.e., \uparrow wtp, \uparrow sales, or \downarrow cost).
- Apply the **VRIN** tool to determine which R / C are critical for your competitive advantage.
- Recommend a specific change (adding or removing a R or C) to your value chain that will strengthen your competitive advantage. Explain the advantage that you expect to result (i.e., enhancing revenue or quality, lowering costs and / or making the process rarer or less imitable).

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Group # _____

1. Write your recommendation here – i.e., what resource/capability should your add to (or delete from) your value chain?

Show how your value chain will change as a result

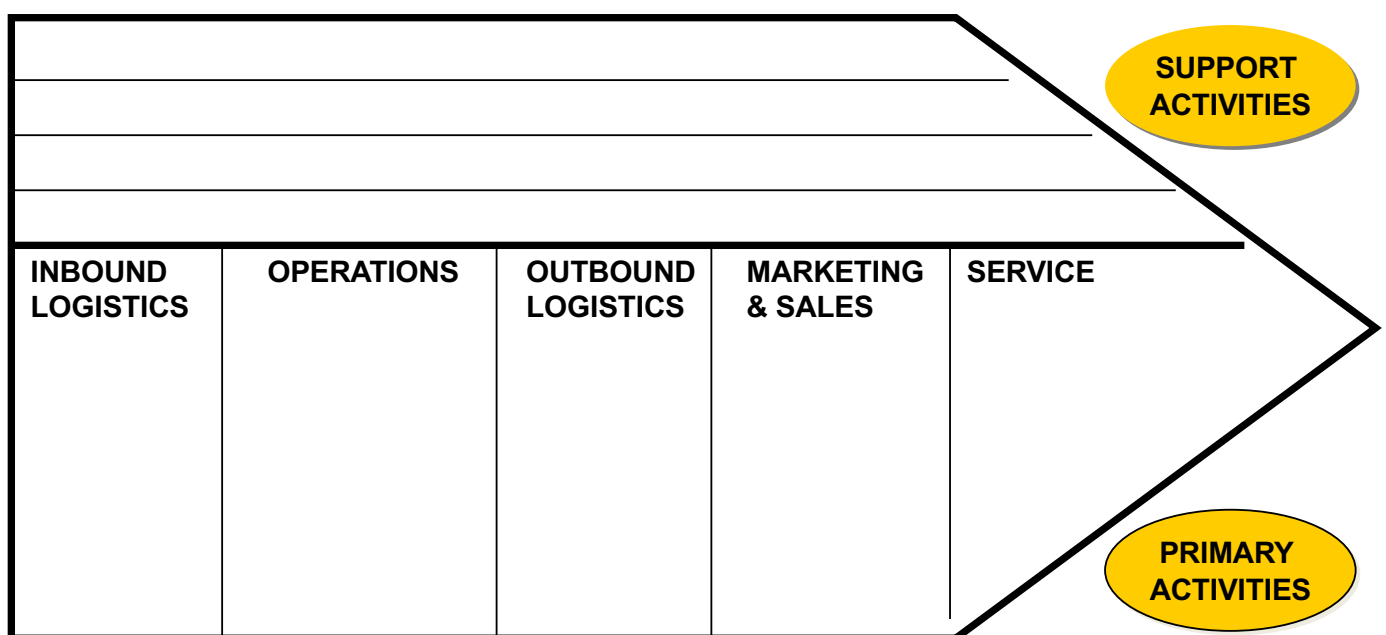


2. Explain how/why your recommendation will enhance value creation,* value capture or its sustainability

Resource/Capability Change	Impact on Value Creation*	Impact on Value Capture	Impact on Sustainability

* If your recommendation will ADD value, be sure to address how this value added is GREATER than any increase in cost!

Auditing Capabilities:
Start with the existing Value Chain to identify key capabilities . . .



... Auditing Capabilities:

worksheet

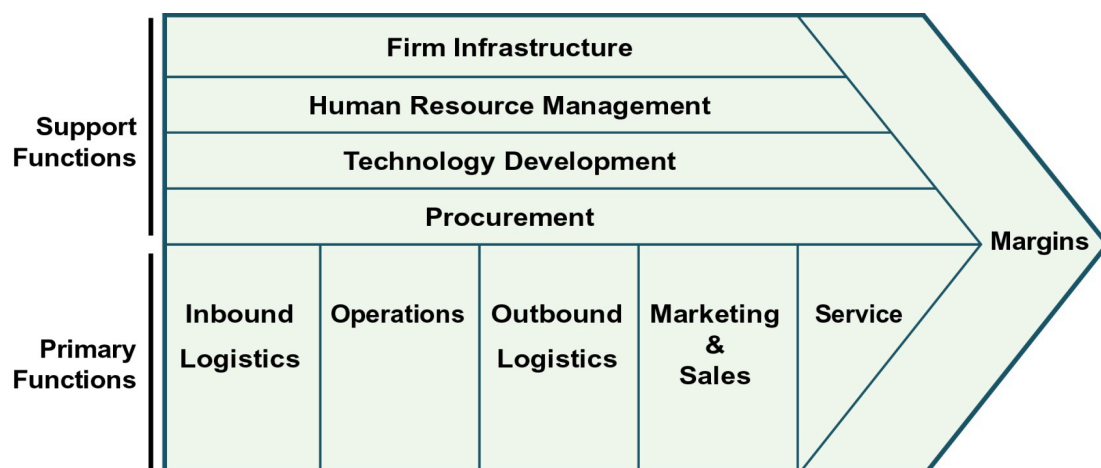
... then inventory key Resources and look for VRIN oppo

Resource	Valuable? (Enhance Creation)	Rare? (Enhance Capture)	Inimitable? (Enhance Sustainability)	Not Substitutable? (Enhance Sustainability)
Tangible (physical, financial, administrative, legal) 1. 2. 3.				
Intangible (IP, reputation, technology, culture) 1. 2. 3.				
Human (staff, customers, skills, know-how) 1. 2. 3.				

Auditing Capabilities:

reference

Start with the Value Chain to identify key capabilities . . .



... Auditing Capabilities:

VRIN opportunities are resource combinations that are:

- **Valuable ...**

Does the capability help create something that customers want or need? (e.g., does it contribute to differentiation or cost advantage?)

- **... and Rare ...**

Does the capability require one or more scarce resources that make it 'best in class' among competitors?

- **... and Inimitable ...**

Is the capability at risk of imitation by prospective rivals? (i.e., can the requisite resources be acquired or imitated by others?)

- **... and Not Substitutable!**

Is the capability at risk from potential substitutes by prospective rivals? (i.e., can substitutes for the requisite resources that have comparable functionality be developed and/or exploited by others?)

Source: J. Barney,

Applying the VRIN Framework:

