

Four sequential tests, valuable, rare, inimitable, organised, that determine whether a resource or capability is a source of sustained competitive advantage or merely something the firm happens to own.

PREPARED BY _____ DATE _____

1 VALUABLE?

The entry test. A resource is valuable if it enables the firm to exploit an external opportunity or neutralise a threat, visible ultimately in willingness to pay or in cost. Fail here and the resource is a competitive disadvantage to keep funding.

2 RARE?

Valuable resources held by many competitors confer parity, not advantage. Rarity asks how many other players control the same or an equivalent resource now.

3 INIMITABLE?

The durability test. A valuable, rare resource sustains advantage only if rivals face a cost disadvantage in imitating or substituting it, because of unique history, causal ambiguity, social complexity or legal protection.

4 ORGANISED TO CAPTURE VALUE?

The exploitation test, and Barney's addition over the earlier VRIN formulation. Structure, reporting lines, management systems, incentives and processes must be aligned to the resource, or the advantage remains theoretical.