

Resources, Capabilities, and Competitive Advantage – Week 8

Developing Strategic Capability



Quick Recap from Last Week

External Analysis

Last week, we explored the external environment – the market, competitors, suppliers, customers, and overall industry forces.

Competitive Forces

We used tools like SWOT and Porter's Five Forces to understand how outside factors influence business success.

Now We Look Inside

This week, we shift focus inside the organisation, looking at the resources and capabilities that create internal strength and support competitive advantage.

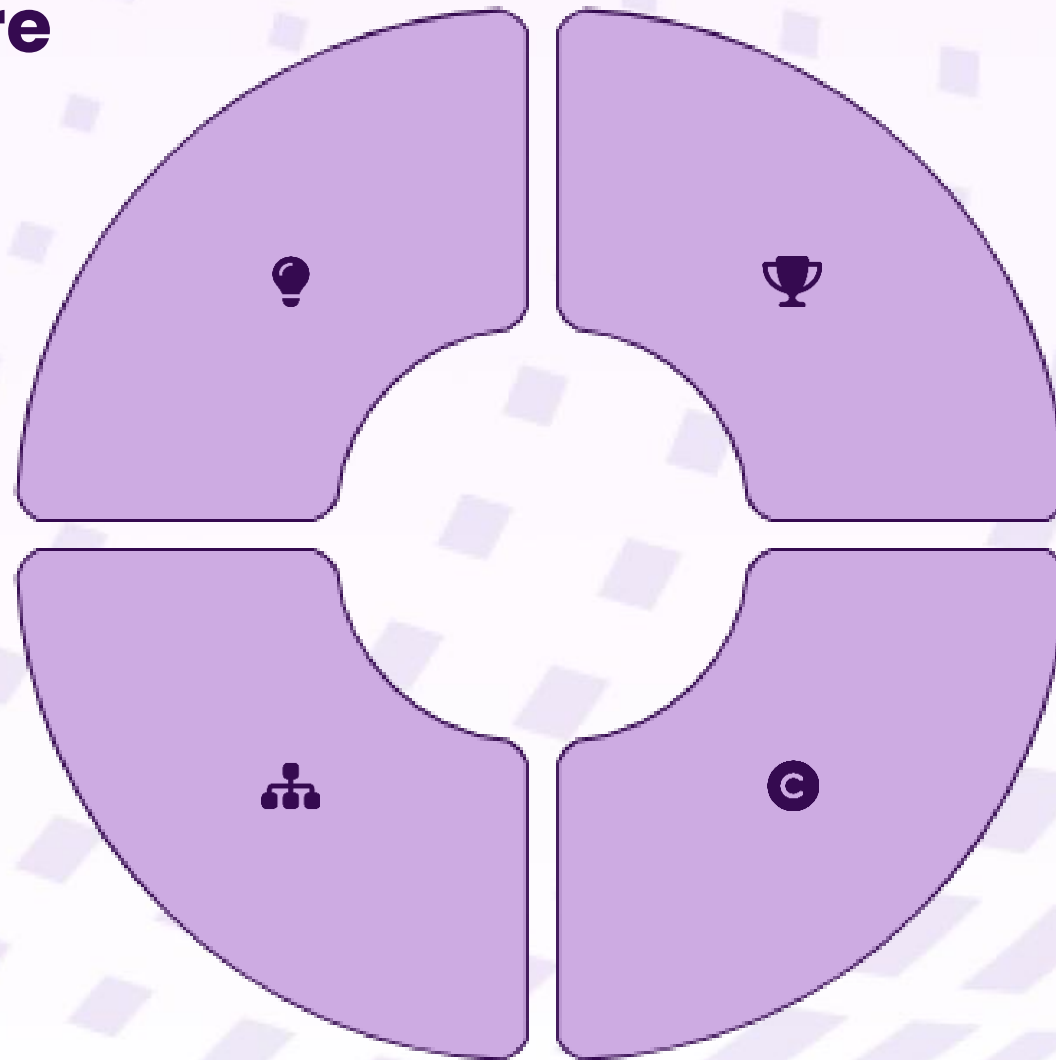
Learning Objectives

Understand what resources and capabilities are

Learn the basic definitions and examples of business resources and capabilities.

Apply the VRIO framework

Practice using this tool to analyse company resources.



See how they create competitive advantage

Discover how companies use resources to gain an edge in the market.

Learn about intellectual property

Understand different types of IP and why they're valuable.

What do organisations need internally to compete successfully?

This week we explore the answer.

We'll discover that competitive success comes from inside the organisation. The resources and the capabilities they develop.

These internal strengths help organisations compete better than their rivals.

Module Recap Quiz

Test your understanding of the key concepts we've covered in this module.

Join at:
vevox.app

ID:
177-885-606



What Are Resources?

The Foundation of Your Business

Resources = the assets an organisation owns or controls. These are essential for creating products and services and for competing in the market.



Physical Resources

The tangible tools needed for daily operations e.g.
Building, machines, equipment, vehicles.



Financial Resources

Money for investment and everyday expenses, including bank loans and investor funding.



Human Resources

Employees, their skills, knowledge, experience, and leadership – often the organisation's most valuable asset.

More Types of Resources

Every Organisation Needs Many Resources

Organisations need more than physical, financial, and human resources – they also rely on organisational and reputational resources.

Organisational Resources

Internal systems and company culture
(shared values and everyday processes).

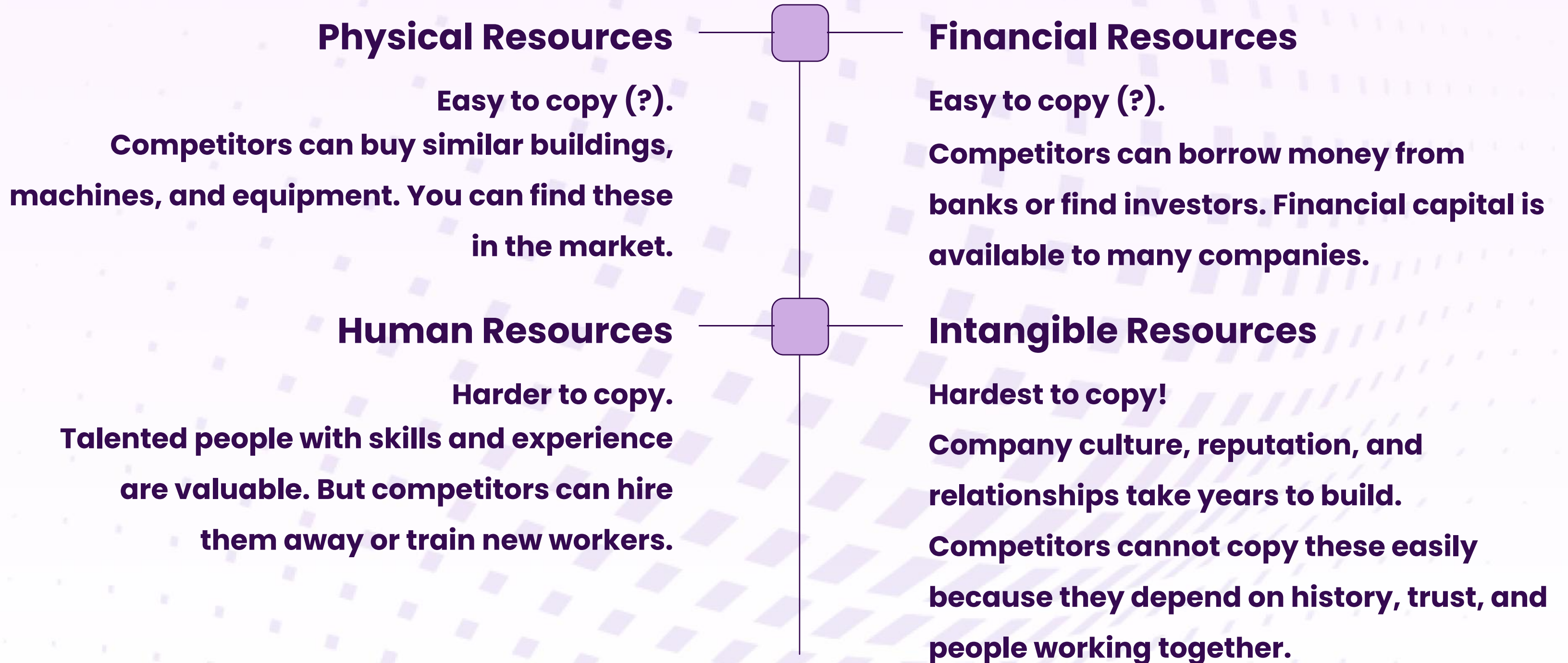
These help employees work efficiently
together.

Reputational Resources

Brand name, customer trust, and strong
relationships with suppliers and partners.

A good reputation attracts stronger
employees and allows companies to charge
higher prices.

Which Type of Resource is Hardest to Replicate?



What Are Capabilities?

Understanding Capabilities

Capabilities = what an organisation does well. They come from using resources effectively to create value.

1

They Use Resources

Capabilities are built by combining resources (e.g., skilled employees + good systems = great customer service).

2

They Come From Experience

They develop over time through learning and practice, making them harder for competitors to copy.

3

They Create Advantage

Strong capabilities help a company deliver better products, innovate, or operate more efficiently than rivals.

Capabilities in Action – Real Examples

How companies use their resources to build capabilities

Amazon: Fast Delivery

- Uses warehouses, employees, and technology to deliver packages in 24-48 hours
- Built this capability over 25+ years of learning and improvement
- Very hard for competitors to replicate.



Samsung: Innovation

- Invests heavily in R&D and hires talented engineers worldwide.
- Constant product innovation provides competitive advantage.
- Long-term learning in electronics makes them unique.



Netflix: Recommendations

- User customer viewing data and algorithms to recommend shows.
- Capability developed over years through machine learning.
- Keep customers engaged and returning.



Resources vs Capabilities

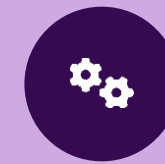
Understanding the Difference

Resources are what you own. **Capabilities** are what you can do. **Resources** are the foundation. **Capabilities** are what you build from those resources. You need both to succeed in business.



Resources: What You HAVE

(Physical, financial, human, organisational, and reputational). These are the tools and foundation a company owns.



Capabilities: What You CAN DO

(efficient production, great customer service, innovation, fast delivery). They come from experience and from using resources well, and they take time to develop.

Resources + Experience = Capabilities

Intellectual Property (IP)

What Is Intellectual Property?

IP = legal protection for things you create, giving you exclusive right so competitors cannot copy your inventions, brand, or creative works.



Patents

- A patent = temporary ownership of an idea you invented.
- Protect new inventions and ideas.
- Give exclusive rights to make and sell products for about 20 years.



Trademarks

- A trademark = protection for your brand identify.
- Protect brand names, logos, and symbols.
- Help customers recognise and remember your company
- Can last forever if still used.



Copyright

- A copyright = protection for creative work you made.
- Protect creative works (books, music, films, software)
- Prevent others from copying or sharing your work.
- Lasts the creator's lifetime plus additional years.

Is Intellectual Property Always a Source of Competitive Advantage?

IP Protects Your Ideas

IP stops competitors from copying your inventions, brand, or creative works, which is valuable.

Can Others Copy It?

Some IP is easy to design around or imitate – so not all IP is difficult to copy.

But Is It Rare?

Many companies have patents, trademarks, or copyright, so IP alone doesn't always make you unique.

Can You Use It?

IP only creates advantage if you actually use it. A patent with no product or revenue provides no benefit.



From Resources to Competitive Advantage

Building Success: A Three-Step Process

Organisations build competitive advantage in stages. First, you gather resources. Second, you develop capabilities by using those resources well. Third, these combine to create competitive advantage.



Resources: What You Have

Physical, financial, human, organisational, and reputational resources form the foundation.



Capabilities: What You Can Do

Skills developed by using resources effectively.
Like efficient production, great customer service, or innovation.

This grows over time through learning and practice.



Competitive Advantage: Why You Win

When strong resources and capabilities work together, organisations can offer better quality, lower costs, faster delivery, and more value than competitors.

What Is the VRIO Framework?

Four Questions to Ask

The VRIO framework is a tool to analyse whether a resource or capability can create competitive advantage. It asks for four questions;

1

V – Valuable

Does it help the organisation compete or create customer value?

2

R – Rare

Do only a few competitors have it?

3

I – Inimitable

Is it hard for competitors to copy or imitate?

4

O – Organised

Is the organisation set up to use it effectively?

Key Idea:

The more “yes” answers, the stronger and more sustainable the competitive advantage.

VRIO in Action – Example 1

Apple's strong brand passes all four VRIO tests to create sustained competitive advantage.



V – Valuable

Customers pay premium prices for Apple products because of the brand



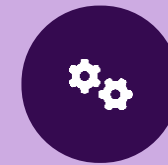
R – Rare

Few companies have built such a strong, trusted global brand like Apple



I – Inimitable

The brand took decades to build and is impossible to copy quickly



O – Organised

Apple has systems and culture to maintain and leverage this brand advantage

VRIO in Action – Example 2

Toyota's efficient manufacturing system passes all four VRIO tests to create sustained competitive advantage.



V – Valuable

Efficiency means
lower costs and
better quality
products for
customers



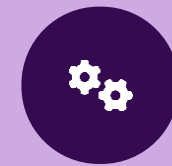
R – Rare

Few competitors
have developed
such an effective
production system



I – Inimitable

The system took
decades to build
through learning
and experience



O – Organised

Toyota has trained
workers and
processes to fully
utilise this
advantage

Not All Resources Pass All Four VRIO Tests

Some Are Not Valuable

A resource might exist but not help the organisation compete or create customer value.

Some Are Not Rare

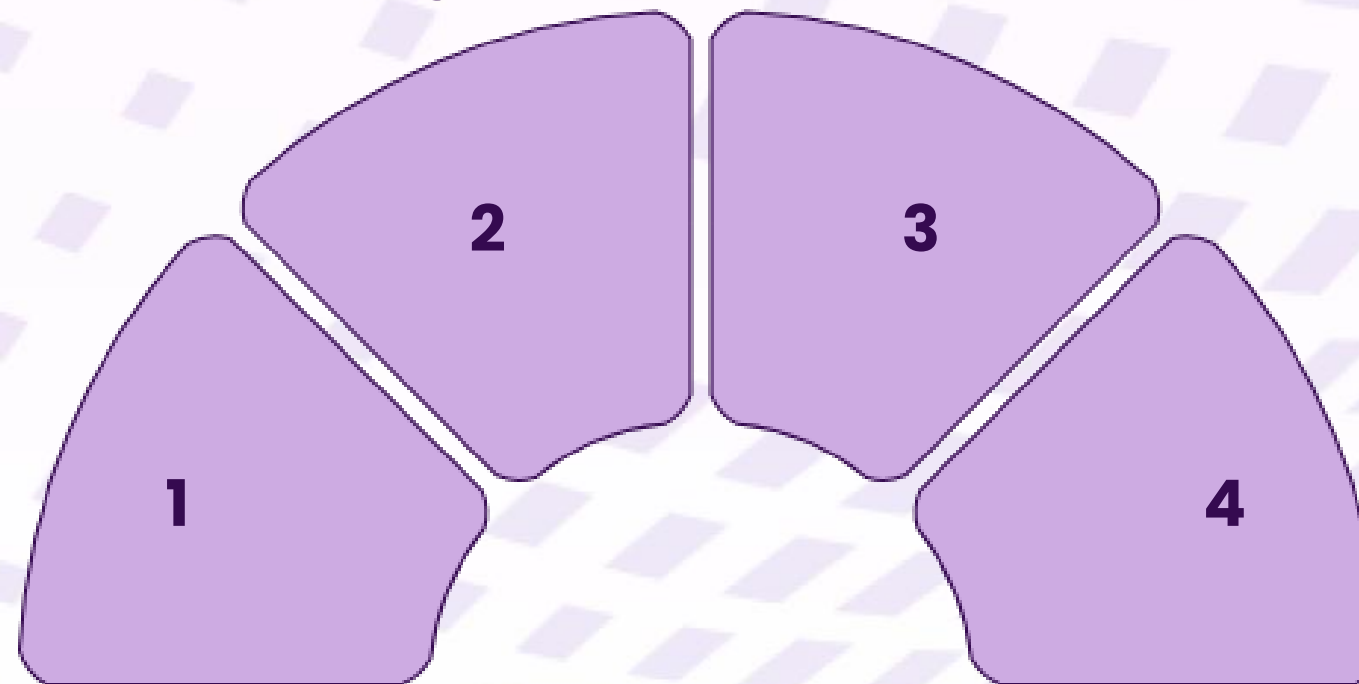
If many companies have the same resource, it cannot provide a special advantage.

Some Are Easy to Copy

Some resources are easy for competitors to copy, so they don't provide long-term advantage (e.g. buying the same equipment).

Some You Cannot Organise

Even valuable resources can be wasted if the organisation lacks the systems or ability to use them effectively.



Key Points to Remember

Understanding Resources

Resources are what you **HAVE**

Understanding Capabilities

Capabilities are what you **CAN DO**

The Integration

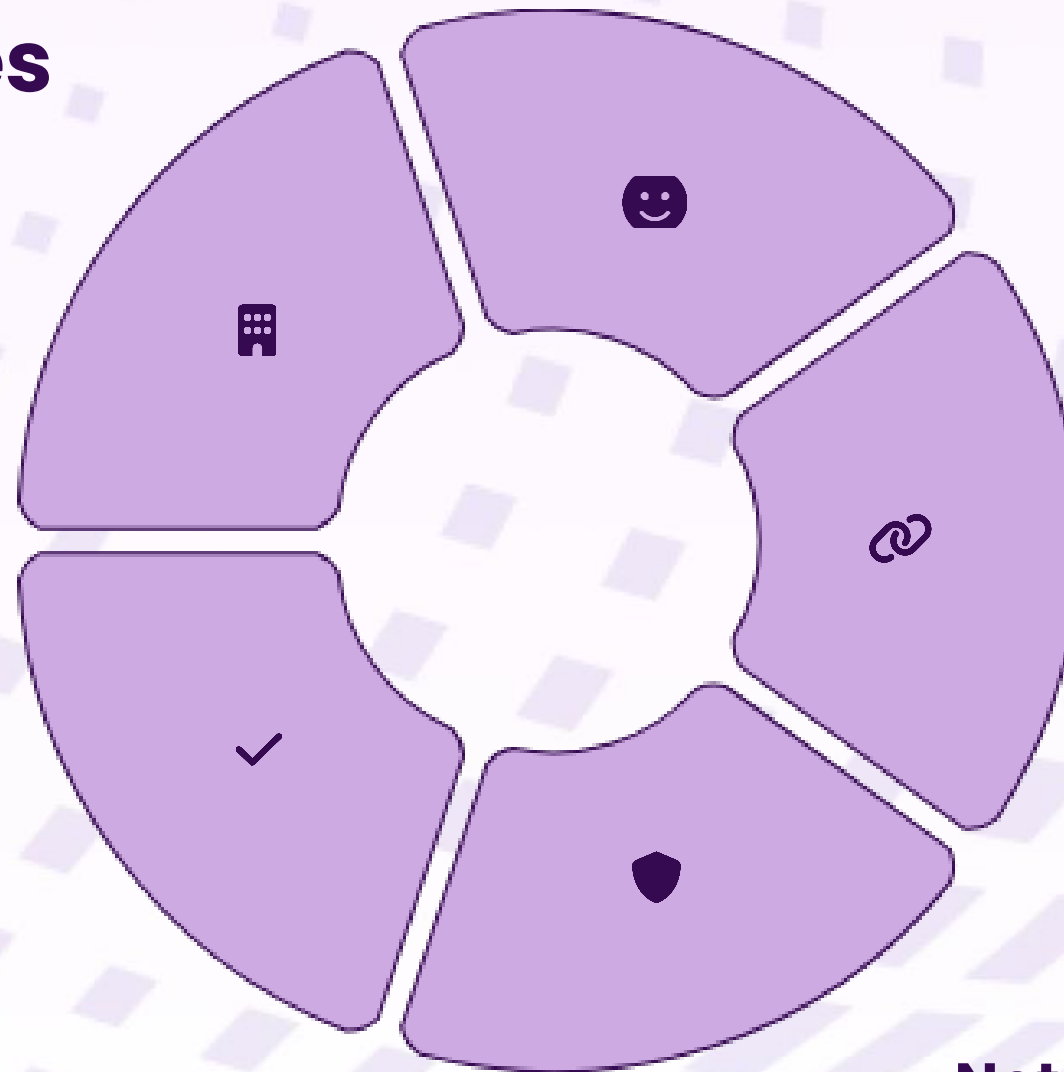
Capabilities need resources to **work**

Testing with VRIO

VRIO helps you know if you have real advantage

Sustainability Matters

Not all advantages last forever – some are easy to copy



Time to Practice!

Activity 1:

- Choose a company you know well
- List at least 5 resources it has (physical, financial, human, organisational, reputational)
- Identify 3-4 capabilities the company is known for
- Write down both strengths and weaknesses.

Activity 2: VRIO Test

- Take the resources and capabilities you listed
- Test each one with the VRIO framework questions
- Score: Does it pass all 4 tests? Some tests? No tests?
- Explain your answers – why do some pass and others fail?

Apply what you have learned to a real company



Which resource or capability do you think would be hardest for competitors to copy?

Think about a company you know well. What makes it special? What does it do better than competitors?

These questions help you identify true competitive advantage – the resources and capabilities that competitors cannot easily replicate.

Lesson Recap

Resources

Organisations have valuable assets – physical, financial, human, organisational, and reputational resources that form the foundation.

Capabilities

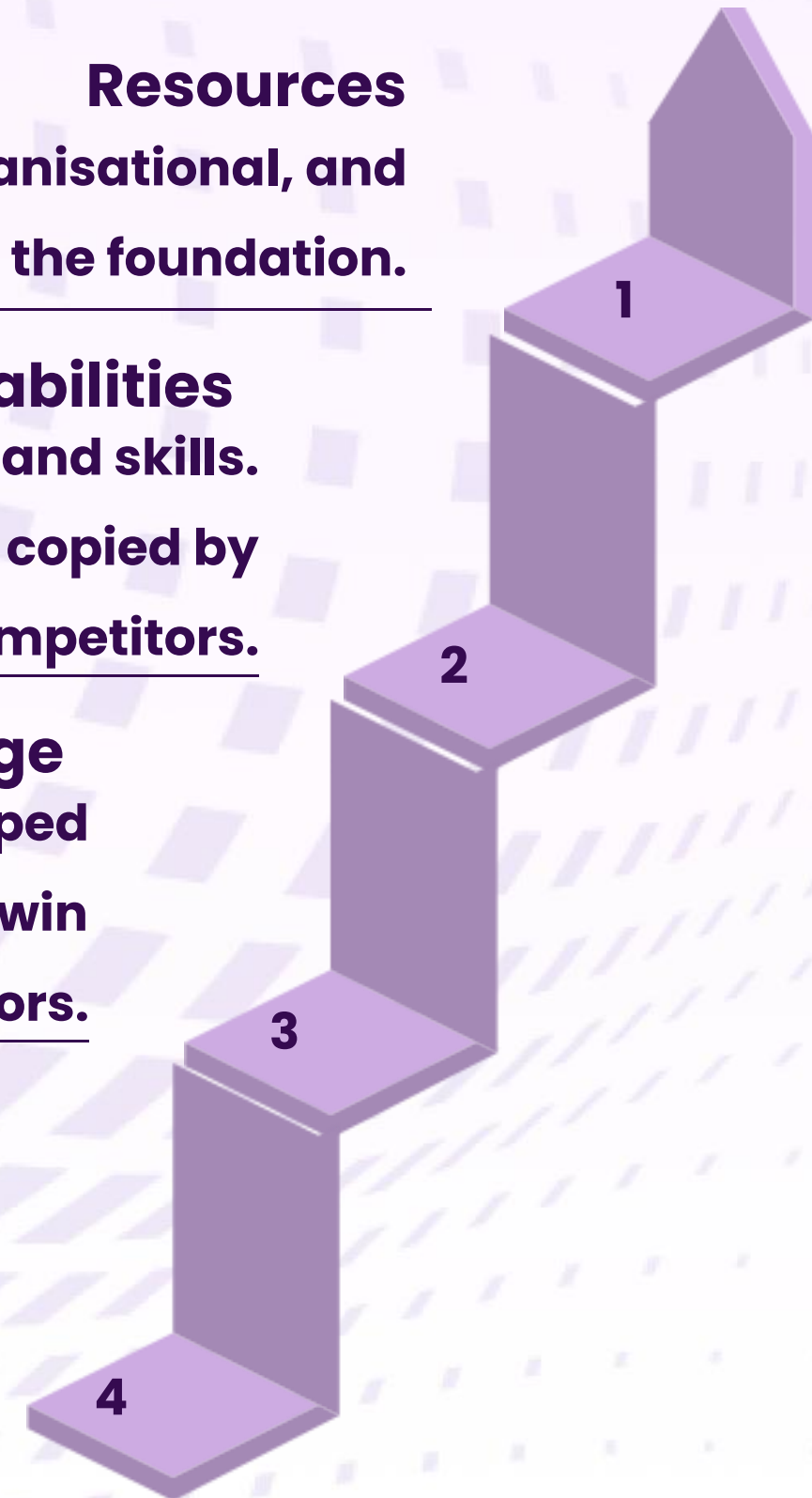
By using resources effectively, organisations develop special abilities and skills. These capabilities come from experience and cannot be easily copied by competitors.

Competitive Advantage

When organisations combine strong resources with well-developed capabilities, they create real competitive advantage. This is why they win against competitors.

The VRIO Test

Using the VRIO framework, organisations can test whether their resources and capabilities truly give them sustained competitive advantage using the four VRIO criteria.



Next Week (Week 9)

Organisational Decline

Further Reading

- Barney, J. (1991) 'Firm resources and sustained competitive advantage', *Journal of Management*, 17(1), pp. 99–120. Available at: <https://doi.org/10.1177/014920639101700108>
- Barney, J.B. and Hesterly, W.S. (2021) *Strategic management and competitive advantage: Concepts and cases*. 7th edn. Pearson Education.
- Grant, R.M. (2022) *Contemporary strategy analysis*. 11th edn. Wiley.
- Harvard Business School Online (2023) *VRIO framework explained*. Available at: <https://online.hbs.edu/blog/post/vrio-framework> (Accessed 8 January 2026).
- Johnson, G., Scholes, K. and Whittington, R. (2023) *Exploring strategy*. 13th edn. Pearson Education.
- Porter, M.E. (1985) *Competitive advantage: Creating and sustaining superior performance*. Free Press.
- Teece, D.J., Pisano, G. and Shuen, A. (1997) 'Dynamic capabilities and strategic management', *Strategic Management Journal*, 18(7), pp. 509–533. Available at: <https://www.jstor.org/stable/3088148>
- World Intellectual Property Organization (WIPO) (2024) *What is intellectual property?* Available at: <https://www.wipo.int/about-ip/en/> (Accessed 8 January 2026).



**If you have any questions, please do
not hesitate to get in touch.**

scott.james@uwtsd.ac.uk