Jay Barney's Resource Based View framework:[1]

A useful framework to operationalize the Resource Based View is the one propounded and popularized by Jay Barney. It involves assessing if the firm's resources fulfil the following conditions. Resources are assessed to determine if they are (1) Valuable, (2) Rare, (3) Inimitable and Nonsubstitutable (4) Exploited by the Organization. This is popularly referred to as VRIO. I will now elaborate on the specifics of these tests below.

Is the resource valuable?

A valuable resource is one which enables a firm to exploit or leverage opportunities in the environment and [or] one which enables the firm to neutralize or mitigate the threats in the environment.

Specifically, a firm's resources are considered valuable if it reduces the firm's net costs or increases the customer's willingness to pay for the firm's products and services compared to the scenario wherein these resources are absent.

Firms that do not possess valuable resources typically suffer a competitive disadvantage. Consequently, they need to either develop these resources internally within the firm, procure the elsewhere or else the firm needs to find ways to redeploy these resources in a context beyond the current domain where they would be valuable.

For example, the Swiss watch industry provides watches with a high degree of craftsmanship and caters to consumers who value handmade, artisanal watches with outstanding design attributes. Consumers were willing to pay high prices for Swiss watches for the connotation of luxury associated with the 'Swiss Made' tag. The resources associated the creation of these watches such as the skilled labour force are a valuable resource. The rise in the affluence of consumers in several Asian markets during the past two decades has fuelled the demand for these watches and the Swiss watch industry was able to capitalize and exploit these opportunities created by the rise in affluence of consumers from Asian markets and the consequent rise in demand for luxury products such as high-end watches.[2]

[1] Jay B. Barney, Gaining and Sustaining Competitive Advantage (Third Edition), PHI Learning Private Limited, page 138-151

[2] http://www.bloomberg.com/news/articles/2016-07-26/saving-the-swiss-watch-industry-again (access date 28/11/16)

https://www.bloomberg.com/view/articles/2016-07-22/the-swiss-watch-industry-s-perfect-storm (access date 28/11/16)

Is the resource rare?

A firms resource may be valuable, but if it is not rare (i.e., it is a resource that is possessed by several firms), then it is unlikely to serve as a source of competitive advantage for any of the firms. Valuable, but easily available resources therefore result in the mitigation of competitive advantage and result in firms attaining competitive parity. Therefore, if the firm's resources are both valuable and rare, it has the potential to be a source of temporary competitive advantage.

For example, Google's superiority in the internet search space is driven by its algorithms and its huge repository of prior searches which are a valuable resource but they are also rare in that that rival firms do not possess a similar resources. This has been a source of competitive advantage for Google in the internet search space.