

# MIS782

## Value of Information

Class 4 (week 4)



  
**DEAKIN**  
BUSINESS  
SCHOOL

# Value of information

## HOW DO ICT INVESTMENTS GENERATE VALUE?

### Firms need to understand:

How to gain competitive advantage based on the their underlying resources.

How competitive advantage from business and how emerging IT opportunities, such as social media analytics, can generate business value from investments in these areas.

Analyse how organisations adapt to changes or disruptors in the technology landscape to preserve and sustain an advantage.

### In this unit, we will discuss:

#### Module One + Two

1. Business Value Returns from IT Investments
2. IT Portfolio Theory
3. **Analysing competitive advantage - RBV**
4. **Analysing competitive advantage – VRIO**

#### Module Three + Four

5. Analytics as a capability - I
6. Business Case Development
7. Analytics as a capability -II: From business data to business insight

#### Module Five

8. Dynamic capabilities through Information Asymmetries
9. Competing on Information Asymmetries



## VALUE OF INFORMATION

- |                    |  |
|--------------------|--|
| <b>Phenomenon</b>  | <ul style="list-style-type: none"><li>• Understanding Competitive Advantage</li></ul>                                    |
| <b>Abstraction</b> | <ul style="list-style-type: none"><li>• The Resource Based View (week 3)</li><li>• The VRIO Framework (week 4)</li></ul> |
| <b>Application</b> | <ul style="list-style-type: none"><li>• Netflix case</li></ul>   |

# What do these companies have in common?

YAHOO!



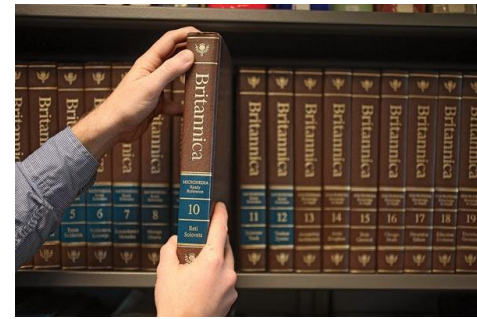
What went wrong?

How did they lose their competitive advantage?



Once upon a time...

YAHOO!



- Their resources were valuable
- Their resources were rare
- Other firms faced prohibitive costs to get similar resources
- They were well organised to use those resources



But then...

- Other firms found other ways to do what they did (Blockbuster)
- Their resources were no longer rare (Encyclopaedia Britannica)
- And other firms were simply better at doing the same thing (all of the above)
- All of them lost their competitive advantage due to a changing world, and their failures to adjust themselves to the changing world





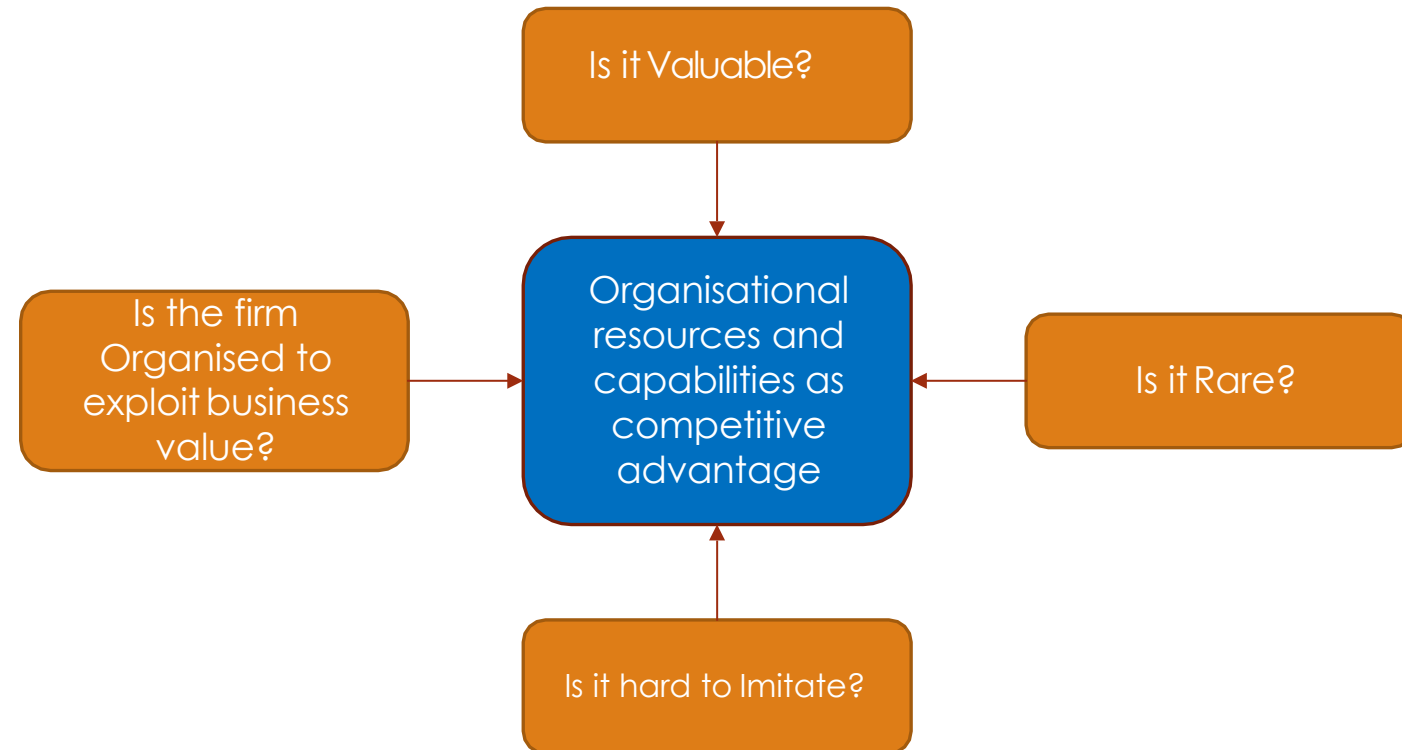
# What firms have survived similar turbulent times?

- How did they manage to do this?



# The VRIO Framework

- A set of tools for analysing all the different resources and capabilities a firm might possess and the potential of each of these to generate **competitive advantages**



- Making sure that unlike Kodak or Yahoo, you are ready to face **external challenges and opportunities**

# Valuable Resources and Capabilities

*‘Do resources and capabilities enable a firm to exploit an external opportunity or neutralise an external threat?’*

- Valuable resources constitute a strength
- Resources with little value put a firm at a **competitive disadvantage**





# Rare Resources and Capabilities

'Is a resource currently controlled by only a small number of competing firms?'

- Valuable and Rare: progressing towards sustained competitive advantage
- Valuable, but the resource is common: competitive parity
- Think of firms currently in competitive parity.**
- What would you suggest their next move be to achieve sustained competitive advantage?**



# Inimitable Resources and Capabilities

‘Do firms without a resource face a cost disadvantage in obtaining or developing it?’

- Valuable, Rare, and costly to Imitate: close to having a sustained competitive advantage
  - The cost of resources is why firms in the energy and natural resource sectors are few and far between
- Valuable and Rare, but cheap to Imitate: temporary competitive advantage
  - Competitors will catch up sooner or later
- **What IT Portfolio asset or assets can provide a company with an inimitable resource?**



# How might you get a rare, valuable and inimitable resource?

- Unique historical conditions - being a first mover
- Causal ambiguity – when it is difficult to tell what resources and capabilities help a firm gain competitive advantage
- Social complexity – when resources are based on interpersonal connections and a network effect
- Patents – making sure your innovations are legally protected  
(although firms in other countries might not particularly worry about this)
- Do you know any firms that fit any of the above descriptions?  
How are they doing currently?**



# Is having a Valuable, Rare and Inimitable resource or capability enough?

- Are we now ready to achieve competitive advantage? Ready to do business?
- Why or why not?



# Organization of Resources and Capabilities

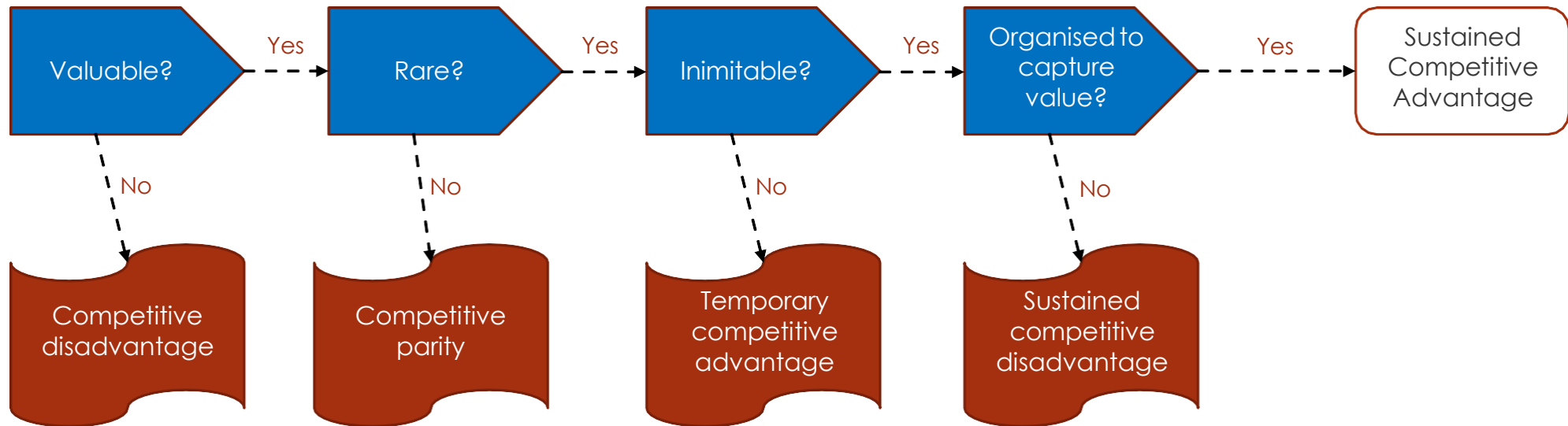


**‘Are a firm’s structure, policies and procedures organised to support the exploitation of its valuable, rare and costly-to-imitate resources?’**

- Valuable, Rare, Inimitable, and Organized to realize value  
= sustained competitive advantage
- Valuable, Rare, Inimitable, but not Organized to realize value  
= sustained competitive disadvantage
  - Being not well organized is detrimental to a firm
  - Other firms will quickly find ways to do it better

# Applying the VRIO framework

Are the resources or capabilities:





# Burberry example (apply the VRIO framework)

Burberry success story

<https://www.youtube.com/watch?v=MePzW82AgbQ>

<https://www.youtube.com/watch?v=l1dEia6bc90&t=134s>

Vision: “blurring the lines between physical and digital world”

Mission: Everything is social and mobile. It is all about customer experience

Objectives: Customised chatter platforms (Burberry chat)

Strategic choice: differentiation

Resources - Technical (Salesforce, magical trays)

- Location (Store of future)

Capabilities - Social skills

- Technical knowledge

- Brand

- Business Analytics



# Resources & Capabilities?

## Or Other issues?

- Australian Car Manufacturing Industry: who killed the car industry?

<https://www.google.com.au/amp/s/amp.smh.com.au/business/the-economy/who-killed-the-car-industry-20151112-gkx1c8.html>

- What was the issue here?



# Next Class ..

Guest lecture

Assignment 1 due soon



# Exploration: Applying VRIO closer to home



- VRIO at Deakin in the context of IT
  - Is any aspect of Deakin's IT resources or capabilities Valuable?
  - Is this resource/capability Rare?
  - Can other education institutions Imitate it?
  - Is Deakin organised enough to realise business value?
    - What can it improve?