

Competitive Advantage Analysis of a Local Bakery Company in Indonesia Using the VRIO Approach and Dynamic Capabilities

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Abstract

This study aims to analyze the internal sources of competitive advantage in Bakery X, a local bakery enterprise in West Java, Indonesia, by applying the VRIO framework and the Dynamic Capabilities approach. Using a qualitative descriptive method, the research draws on data collected through in-depth interviews, observations, and documentation. The findings reveal that several internal resources, including human resources, organizational culture, technological capability, and operational efficiency, are categorized as valuable, rare, inimitable, and well-organized, indicating that they form the foundation of sustainable competitive advantage. Furthermore, the company demonstrates strong dynamic capabilities, particularly in sensing market opportunities, seizing innovation initiatives, and transforming internal processes to adapt to changing customer preferences and competitive dynamics. The integration of VRIO and Dynamic Capabilities analysis highlights how strategic alignment between valuable resources and adaptive capabilities can enhance the firm's long-term competitiveness. The study provides managerial implications for strengthening internal resources and improving strategic agility in the face of an increasingly competitive industry environment.

Keywords: VRIO Framework; Dynamic Capabilities; Competitive Advantage; Internal Resources; Strategic Management; Case Study.

INTRODUCTION

In today's intensely competitive and fast-evolving business landscape, firms face mounting pressure to achieve and sustain competitive advantage (Lam et al., 2021). Rapid technological change, globalization, and shifting consumer preferences have heightened the need for organizations to continuously strengthen their internal foundations (Kalandarovna & Qizi, 2023; Petricevic & Teece, 2019; Usman et al., 2024). While traditional strategy perspectives emphasize external factors such as industry structure, market positioning, and competitive forces as the main sources of superior performance, a growing body of research underscores the importance of internal factors. The Resource-Based View (RBV) argues that the heterogeneity of firm resources and capabilities forms the essence of sustained competitive advantage (Assensoh-Kodua, 2019; Hossain, Hussain, Kannan, & Kunju Raman Nair, 2022; Kero & Bogale, 2023). According to this view, firms that possess resources that are valuable, rare, difficult to imitate, and effectively organized can achieve above-average performance that competitors cannot easily replicate (Azeem et al., 2021; Robertson et al., 2023; de la Torre & De La Vega, 2025).

The Resource-Based View (RBV) proposes that firms can achieve and sustain competitive advantage when they possess and effectively utilize unique internal resources that are valuable, rare, difficult to imitate, and properly organized (Mweru & Maina, 2016). Unlike external perspectives such as Porter's Five Forces, which focus on market competition and positioning, RBV emphasizes firm-specific internal strengths as the core determinants of superior performance (Chishamba, 2024). According to Grant (1996), these resources may include tangible assets such as financial and physical resources, as well as intangible assets such as knowledge, organizational culture, and innovation. When effectively leveraged, such resources form the basis for achieving sustained competitive advantage. However, RBV has

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been criticized for its static nature, as it primarily focuses on the possession of resources rather than the continuous process of renewing and transforming them in response to environmental changes (Kuncoro & Suriani, 2018). To address this limitation, Teece et al. (1997) introduced the concept of Dynamic Capabilities, which extends RBV by emphasizing a firm's ability to integrate, build, and transform internal and external resources to adapt to rapidly changing markets.

The VRIO framework operationalizes RBV by providing a systematic approach to assess a firm's internal resources and capabilities based on four criteria: Value, Rarity, Imitability, and Organization (Kero & Bogale, 2023). A resource is considered valuable if it enables the firm to exploit opportunities or neutralize external threats; rare if it is not widely possessed by competitors; inimitable if it cannot easily be replicated due to path dependency, causal ambiguity, or social complexity; and organized if the firm has the capability to coordinate and manage these resources effectively. When all four criteria are fulfilled, the resource can be a source of sustained competitive advantage (Kuncoro & Suriani, 2018). Several studies have demonstrated the effectiveness of the VRIO framework in identifying strategic resources within manufacturing and service industries, especially in the context of small and medium-sized enterprises (Ariyani et al., 2018; Veloso & Gomez-Suarez, 2023). In the bakery manufacturing sector, for example, operational efficiency, product innovation, and organizational culture represent potential VRIO resources that can differentiate firms from competitors in a highly competitive and evolving market.

The concept of Dynamic Capabilities (DC) emerged as a complement to RBV by focusing on how organizations renew and transform their resource base in response to environmental changes (Sun, Chen, & Mei, 2024). Dynamic Capabilities are defined as the firm's ability to integrate, build, and transform internal and external competencies to address rapidly changing environments. According to Teece (2007), these capabilities consist of three main dimensions: sensing, seizing, and transforming. Sensing refers to the ability to identify and interpret new opportunities and threats in the environment; seizing involves mobilizing resources to capture those opportunities; and transforming pertains to the transformation of existing resources and processes to maintain strategic alignment and competitiveness. Studies from Eisenhardt and Martin (2000) argue that dynamic capabilities are composed of identifiable and learnable processes that enhance firm responsiveness and innovation. Integrating VRIO and DC frameworks provides a more comprehensive understanding of competitive advantage: while VRIO identifies what resources matter, dynamic capabilities explain how these resources are renewed and leveraged to maintain long-term competitiveness (Araújo et al., 2022). In emerging economies such as Indonesia, where small and medium-sized manufacturing enterprises dominate the industrial landscape, dynamic capabilities play a critical role in enabling firms to sense market trends, seize innovation opportunities, and transform their operations to sustain performance in volatile environments.

To operationalize this perspective, the VRIO framework provides a systematic lens for evaluating a firm's internal resources and capabilities along four dimensions: Value, Rarity, Imitability, and Organization. When a firm's resources meet these criteria, they can serve as strategic assets capable of delivering long-term competitive advantage (Ariyani et al., 2018). However, despite its usefulness, the RBV and VRIO framework have been widely critiqued for their relatively static orientation—focusing primarily on the possession of strategic resources rather than on how these resources evolve or are transformed in response to changing environments (Aghazadeh, 2015).

To address this limitation, the concept of Dynamic Capabilities (DC) emerged as an extension of the RBV. Dynamic capabilities refer to a firm's ability to integrate, build, and transform internal and external competencies to adapt to rapidly changing environments (Konlechner, Müller, & Güttel, 2018). In essence, while the VRIO framework helps identify

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what resources matter for competitive advantage, dynamic capabilities explain how those resources are deployed, renewed, and transformed over time. Firms that effectively combine VRIO-based resources with dynamic capabilities are better positioned to sustain competitive advantage even amid environmental turbulence and market uncertainty (Araújo et al., 2022).

In the context of small and medium-sized manufacturing firms, such as those in the Indonesian bakery industry, these concepts are particularly relevant. Operating in competitive local markets, such firms often face significant challenges related to cost efficiency, innovation, and responsiveness to changing consumer tastes. Their success frequently depends on intangible assets such as organizational culture, workforce flexibility, local market knowledge, and process innovation, which together form the foundation of competitiveness. Yet, research that integrates VRIO and Dynamic Capabilities frameworks in such settings remains limited.

To fill this gap, the present study examines the case of a local bakery company in West Java, Indonesia (hereafter referred to as Bakery X), to analyze how its internal resources and dynamic capabilities contribute to competitive advantage. Specifically, the study aims to: (1) identify which of Bakery X's internal resources meet the VRIO criteria and thereby underpin its competitive advantage; (2) explore how the firm's dynamic capabilities enable it to sense market opportunities, seize them through innovation and organizational adaptation, and transform its resource base to maintain competitiveness; and (3) offer managerial implications for enhancing both resource strength and organizational agility in small and medium-sized manufacturing contexts.

By adopting a qualitative case study approach, drawing on in-depth interviews and documentary evidence, this research seeks to provide both theoretical and practical contributions. Theoretically, it advances understanding of how the RBV and Dynamic Capabilities frameworks can be jointly applied to manufacturing SMEs in emerging markets. Practically, it provides insights and recommendations for managers on leveraging internal strengths and building adaptability in volatile competitive environments. Ultimately, this paper argues that in the bakery sector, achieving sustainable competitive advantage is not merely about external strategic positioning but about aligning, exploiting, and continuously renewing internal resources and adaptive capabilities. Through this lens, the study aims to demonstrate how firms like Bakery X can translate their unique resource base into enduring competitiveness by fostering ongoing learning, innovation, and responsiveness to change.

RESEARCH METHOD

This study employed a qualitative descriptive case study approach aimed at gaining an in-depth understanding of how internal resources and dynamic capabilities contributed to the competitive advantage of a local bakery company, hereafter referred to as Bakery X, between December 2024 and June 2025. A qualitative approach was appropriate because it allowed for an exploration of contextual meanings and interpretations as perceived by internal stakeholders within the organization (Creswell & Poth, 2016). The case study focused on Bakery X, a medium-sized bakery manufacturing firm located in West Java, Indonesia, operating in an increasingly competitive food industry characterized by rapid market changes, evolving consumer preferences, and intense competition from both local and national brands. The company's emphasis on operational efficiency, product quality, and local cultural values provided a rich context for examining the interaction between internal resources, adaptive capabilities, and competitive advantage.

Data collection relied on two main techniques: in-depth interviews and document analysis. The interviews were conducted with four key informants, including one company director, two coordinator managers, and one manager representing functional areas related to

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operations, marketing, and organizational culture. The interviews explored themes such as the firm's core resources, innovation activities, adaptability, and internal management practices. Direct observations were made within the production facilities and office environments to capture operational practices, employee interactions, and cultural behaviors. Additionally, company reports, organizational structures, and internal communications were reviewed to corroborate and triangulate the qualitative findings.

The collected data were analyzed through a two-stage process combining VRIO and Dynamic Capabilities frameworks. First, the VRIO analysis categorized company resources based on the four key criteria: value, rarity, imitability, and organization, to identify which resources contributed most significantly to competitive advantage. Second, the Dynamic Capabilities framework interpreted how Bakery X sensed market opportunities, seized innovation initiatives, and transformed internal processes to adapt to changing market conditions. Thematic coding identified recurring patterns and themes in interview transcripts and observational notes, which were subsequently mapped against the VRIO and Dynamic Capabilities dimensions. To ensure credibility and trustworthiness, the study employed triangulation across multiple data sources—interviews, observations, and documents—and used member checking, whereby participants reviewed and validated interpretations of the data (Lincoln & Guba, 1985). Through this analytical process, the study provided a holistic understanding of how internal resources and adaptive capabilities collectively drove competitive advantage in the bakery manufacturing sector.

RESULT AND DISCUSSION

Overview of Findings

The findings of this study reveal that the internal resources and capabilities of Bakery X play a significant role in shaping its competitive advantage within the Indonesian bakery manufacturing industry. The analysis integrates the VRIO framework and the Dynamic Capabilities approach to provide a comprehensive understanding of how the company leverages its internal strengths and adaptive abilities to remain competitive in a dynamic market environment. The results demonstrate that Bakery X's competitive position is supported by valuable and unique internal resources, while its ability to sense market changes, seize new opportunities, and transform operations strengthens its long-term strategic sustainability.

VRIO Analysis

From the VRIO perspective, several internal resources were identified as sources of sustained competitive advantage. Human resources emerge as a central component of the firm's value creation process. Employees demonstrate high levels of commitment, creativity, and skill specialization, particularly in production and product development functions. These human resources are considered *valuable* because they enable the company to maintain product consistency and quality that align with consumer preferences. Furthermore, the company's emphasis on training, mentoring, and continuous learning fosters a rare and distinctive organizational capability that competitors find difficult to imitate. This supports Peteraf and Barney's (2003) argument that social capital and embedded knowledge contribute to causal ambiguity, enhancing the inimitability of human resources.

Table 1. VRIO Analysis of Bakery X's Internal Resources

Resources/Capability	V	R	I	O	Competitive Implication
Human Resources (Employee skills, creativity, commitment)	✓	✓	✓	✓	Sustained Competitive Advantage
Organizational Culture (mutual care, cooperation, innovation)	✓	✓	✓	✓	Sustained Competitive Advantage

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Resources/Capability	V	R	I	O	Competitive Implication
Technological Resources (production machinery, process standardization)	✓	✗	✗	✓	Temporary Competitive Advantage
Marketing Resources (brand image, local cultural identity)	✓	✓	✗	✓	Temporary Competitive Advantage
Operational Efficiency (supply chain, productivity)	✓	✗	✗	✓	Competitive Parity

source: processed data

Based on the VRIO analysis, the company's human resources and organizational culture represent core competencies that fulfill all four VRIO criteria, thus contributing to sustainable competitive advantage.

Another critical source of advantage lies in the company's organizational culture, which reflects strong local values and a deep sense of community. The cultural philosophy of mutual care, cooperation, and continuous improvement fosters employee commitment and collective innovation. This aligns with Teece's (2007) view that organizational routines and culture serve as repositories of tacit knowledge that enable adaptability. Within the VRIO framework, Bakery X's culture meets the criteria of rarity and inimitability due to its deep-rooted social norms and shared purpose, while also fulfilling the *organization* criterion by supporting coordination and alignment across functional areas.

In terms of technological and operational resources, Bakery X has adopted modern production machinery and standardized processes to enhance efficiency and maintain product quality. These resources are clearly valuable and well-organized, though not entirely rare or inimitable since similar technologies are available to competitors. However, what differentiates the firm is its ability to integrate these technologies with locally inspired product innovations and agile production adjustments. This reflects Lin and Wu's (2014) assertion that sustainable advantage arises not solely from possessing resources, but from the strategic integration and application of those resources.

Dynamic Capabilities Analysis

Beyond the possession of valuable and rare resources, the sustainability of Bakery X's competitive advantage relies heavily on its ability to adapt, renew, and transform these resources over time. This adaptability is reflected in the company's Dynamic Capabilities, which represent the firm's capacity to integrate, build, and transform internal and external competencies to address rapidly changing environments (Teece *et al.*, 1997). In the context of Bakery X, three dimensions of dynamic capabilities (*sensing*, *seizing*, and *transforming*) were identified as the key mechanisms driving its resilience and strategic renewal.

Table 2. Dynamic Capabilities Analysis of Company

Dimension	Definition	Key Findings / Evidence in Bakery X	Implication for Competitiveness
Sensing	Ability to identify opportunities and threats	Regular market observation, customer feedback monitoring, collaboration with distributors	Early recognition of market trends and emerging demands
Seizing	Ability to mobilize resources to capture opportunities	Rapid decision-making, flexible production adjustment, empowered mid-level managers	Faster innovation and time-to-market advantage
Transforming	Ability to realign and transform resources	Process restructuring, employee role rotation, cross-department collaboration	Continuous learning and organizational agility

source: processed data

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The findings suggest that Bakery X's strong sensing and seizing capabilities enable quick responses to environmental shifts, while Transforming ensures continuous internal renewal that supports long-term sustainability.

The first dimension, sensing capabilities, refers to the firm's ability to detect new opportunities and recognize emerging threats within its environment (Teece, 2007). Bakery X demonstrates strong sensing capabilities through systematic and informal approaches to market scanning. The management team routinely monitors customer feedback, sales performance, and competitor movements to identify shifts in consumer preferences and potential market niches. For example, the company regularly introduces new product variants in response to changes in taste trends or dietary preferences, such as healthier or locally inspired flavors. This proactive and iterative process of environmental scanning enables the company to anticipate shifts before they become disruptive. The emphasis on close relationships with distributors and retail partners further enhances the company's ability to capture real-time market information, a factor that is critical in maintaining strategic awareness (Eisenhardt & Martin, 2000). Such continuous sensing ensures that Bakery X remains relevant and agile, aligning with Wang and Ahmed's (2007) notion that dynamic firms constantly renew their knowledge base and monitor external signals to maintain competitiveness.

The second dimension, seizing capabilities, reflects the firm's capacity to mobilize and allocate resources effectively to capitalize on opportunities identified through sensing (Teece, 2007). Bakery X exhibits strong seizing capabilities through its responsive decision-making and adaptive managerial structures. Once an opportunity is identified, the management swiftly translates market insights into actionable strategies, such as modifying production schedules, launching promotional campaigns, or adjusting pricing structures to meet new market conditions. The company's decentralized decision-making allows middle managers to propose innovations without going through lengthy approval hierarchies, ensuring quick and flexible responses to market dynamics. This managerial flexibility is critical in small and medium-sized enterprises (SMEs), where resource constraints necessitate agility and cross-functional collaboration (Wilden *et al.*, 2023). Furthermore, Bakery X's investment in employee training and empowerment facilitates collective participation in innovation, reinforcing the argument by Teece *et al.* (1997) that successful seizing requires the alignment of managerial intent with organizational action.

The third dimension, transforming capabilities, represents the firm's ability to continuously transform and re-align its resource base to sustain performance amid changing conditions (Eisenhardt & Martin, 2000). Bakery X demonstrates a proactive approach to reconfiguration through organizational learning and process restructuring. The company routinely evaluates its production workflow, supply chain arrangements, and human resource deployment to ensure operational efficiency and responsiveness. For instance, during periods of demand fluctuation, resources are reallocated to balance workloads across departments, and employees are encouraged to rotate tasks to develop multi-skilled competencies. Such practices not only increase flexibility but also embed learning within the organization—a key determinant of dynamic renewal (Wang & Ahmed, 2007). The firm also transforms its product portfolio to align with evolving consumer trends, ensuring that its brand remains relevant across different market segments.

Overall, the findings reveal that Bakery X's dynamic capabilities are deeply rooted in its culture of collaboration, continuous improvement, and employee empowerment. These dynamic processes allow the company to transform environmental uncertainty into strategic opportunities, demonstrating that adaptability and learning are as crucial to sustained competitive advantage as the resources themselves. This aligns with the theoretical proposition of Teece (2007), who asserts that dynamic capabilities are not isolated functions, but system-level processes embedded within the organization's culture, leadership, and routines. Thus, in

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the case of Bakery X, the strength of its dynamic capabilities lies in the integration of sensing, seizing, and transforming activities that collectively enable strategic agility, resilience, and long-term performance sustainability.

Integration of VRIO and Dynamic Capabilities

The integration of the VRIO framework and the Dynamic Capabilities approach provides a comprehensive understanding of how Bakery X constructs and sustains its competitive advantage. While VRIO emphasizes what resources contribute to competitiveness, those that are valuable, rare, inimitable, and well-organized; Dynamic Capabilities explain how these resources are developed, maintained, and renewed over time to ensure long-term success (Teece *et al.*, 1997; Lin & Wu, 2014). In this study, the synergy between these two theoretical lenses reveals that Bakery X's ability to sustain its advantage is not simply due to the possession of superior resources but rather its capacity to continuously adapt and transform them in alignment with changing environmental conditions.

Table 3. Integration of VRIO Framework and Dynamic Capabilities

VRIO Resource	Related Dynamic Capability	Interaction Mechanism	Outcome
Human Resources	Seizing & Transforming	Employee training enhances adaptability and cross-functional collaboration	Sustained innovation and performance improvement
Organizational Culture	Sensing & Transforming	Shared values promote information sharing and learning orientation	Collective responsiveness to change
Technological Resources	Seizing	Integration of new tools supports efficient production adjustments	Operational flexibility
Brand & Marketing	Sensing	Market insights strengthen brand differentiation and customer loyalty	Stronger market positioning

source: processed data

At the foundation of this integration are Bakery X's VRIO-based resources, such as human capital, organizational culture, and brand identity, which serve as strategic assets that satisfy the value and rarity criteria. However, the durability of these resources is reinforced through the company's dynamic processes of sensing, seizing, and Transforming. For instance, the firm's human resources are not static assets but continuously evolve through learning and cross-functional collaboration, allowing employees to acquire new skills that sustain the value dimension over time. Similarly, organizational culture, originally a rare and inimitable resource becomes an enabling mechanism for adaptability when it fosters openness to innovation and knowledge exchange. This finding supports the argument of Araújo *et al.* (2022), who emphasize that strategic planning and performance are mutually reinforcing when dynamic capabilities support the continuous renewal of resource-based strengths.

Furthermore, the integration between VRIO and Dynamic Capabilities enables the company to balance stability and flexibility, a challenge common to many SMEs in competitive industries. Stability is achieved through the structured organization and clear coordination mechanisms that ensure efficient resource utilization (the "O" in VRIO), while flexibility is achieved through dynamic sensing and Transforming processes that promote responsiveness to external change. This dual capacity aligns with the concept of ambidexterity, which describes an organization's ability to exploit existing strengths while exploring new opportunities (O'Reilly Iii & Tushman, 2008). In Bakery X's case, this ambidexterity manifests

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in its ability to maintain core operational excellence while experimenting with new product lines, marketing strategies, and distribution channels.

The integration also highlights that VRIO and Dynamic Capabilities are not separate constructs but complementary dimensions of strategic management. While VRIO identifies static resource advantages, Dynamic Capabilities provide the evolutionary logic that transforms those resources into enduring competencies. This resonates with Lin and Wu's (2014) findings that firms achieving superior performance are those capable of linking their internal resource base with continuous renewal mechanisms. Bakery X's success demonstrates that a firm's sustainable advantage depends on how effectively it aligns resource-based strengths with dynamic learning and innovation.

In essence, this integration offers both theoretical and practical implications. Theoretically, it demonstrates that RBV's static assumptions can be extended by incorporating dynamic processes that capture the temporal evolution of competitive advantage. Practically, it suggests that managers should not only identify valuable resources but also establish organizational systems that enable ongoing sensing, learning, and transformation. For Bakery X, this means continuously investing in human resource development, strengthening adaptive culture, and enhancing process agility. By doing so, the firm ensures that its competitive advantage remains not only distinctive but also resilient in the face of market volatility. As Araújo *et al.* (2022) conclude, firms that successfully combine valuable resources with strong dynamic capabilities create a virtuous cycle where strategic learning and resource renewal reinforce each other, ensuring sustainable performance in the long run.

Strategy Formulation

The strategic formulation for Bakery X is developed based on the integration of the VRIO framework and the Dynamic Capabilities approach. The VRIO analysis identified key internal resources that serve as the foundation of the company's competitive advantage particularly human capital, organizational culture, and brand image. Meanwhile, the Dynamic Capabilities analysis highlighted the firm's ability to sense environmental changes, seize market opportunities, and transform internal resources to sustain adaptability. By combining these two perspectives, a comprehensive strategy can be formulated to strengthen both the company's internal resources and its capability to continuously evolve in a dynamic business environment.

First, strengthening human capital and organizational learning should be a primary strategic priority. As the analysis revealed, Bakery X's human resources are valuable, rare, and difficult to imitate due to their creativity, skill specialization, and strong internal commitment. However, these advantages must be continuously renewed through structured knowledge-sharing systems and capacity development programs. The company should establish formal mechanisms for skill transfer, such as peer learning, workshops, and job rotation, to institutionalize tacit knowledge across departments. This approach would reinforce the "Value" and "Organization" dimensions of VRIO while enhancing the company's Transforming capabilities, allowing it to adapt to changing technologies and consumer demands more efficiently.

Second, leveraging organizational culture as a strategic asset is essential to sustain competitive differentiation. The company's culture, built upon cooperation, mutual care, and continuous improvement, represents a rare and inimitable source of advantage. However, as markets evolve, cultural values must be aligned with innovation and agility. Management should cultivate an *adaptive culture* that maintains traditional values while encouraging experimentation and cross-functional collaboration. This cultural evolution would ensure that the firm's rare and inimitable resources remain relevant, thus strengthening the alignment between VRIO-based resources and the firm's sensing and seizing capabilities.

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Third, investing in technology-driven operational innovation is necessary to enhance value creation and efficiency. Although technological resources were not found to be rare or inimitable, their integration into the company's unique processes can create synergistic value. Bakery X should prioritize digitalization in production monitoring, supply chain coordination, and performance tracking to enhance responsiveness. Such digital transformation would amplify the organization's seizing capabilities by enabling faster decision-making and resource mobilization. Additionally, adopting customer analytics could strengthen the company's sensing capabilities by providing real-time insights into consumer behavior and preferences, which can then inform new product development.

Fourth, enhancing brand positioning and market responsiveness should be a key strategic focus. The company's strong brand identity, rooted in local cultural values and authenticity, is a valuable and differentiating resource. To sustain this advantage, management should implement adaptive marketing strategies that align with dynamic consumer expectations. For example, leveraging digital marketing platforms and storytelling campaigns centered around local heritage can increase brand engagement and loyalty. Integrating customer feedback mechanisms into product development also allows the company to sense emerging trends, seize niche opportunities, and transform offerings accordingly.

Table 4. Strategy Formulation Based on VRIO and Dynamic Capabilities

Strategic Focus	VRIO	Dynamic Capability	Strategic Action Plan	Expected Impact
Strengthening Human Capital and Organizational Learning	Valuable, Rare, Inimitable, Organized	Transforming	Develop structured knowledge-sharing systems, conduct cross-department training, implement job rotation programs	Enhanced adaptability, continuous innovation, and sustained employee competence
Leveraging Organizational Culture as a Strategic Asset	Rare, Inimitable	Sensing, Seizing	Align cultural values with innovation; promote collaboration, experimentation, and learning-oriented behavior	Cultural agility that supports creativity and responsiveness to market change
Investing in Technology-Driven Operational Innovation	Valuable, Organized	Seizing, Transforming	Implement digital production monitoring, supply chain digitalization, and data-driven decision-making	Improved operational efficiency, faster response time, and process flexibility
Enhancing Brand Positioning and Market Responsiveness	Valuable, Rare	Sensing, Seizing	Strengthen brand storytelling based on local heritage, use digital marketing analytics, and integrate customer feedback	Higher customer engagement, better differentiation, and market adaptability
Developing Organizational Agility through Cross-Functional Integration	Organized	Transforming	Simplify structure, encourage interdepartmental collaboration, empower managerial decision-making	Increased responsiveness, innovation speed, and sustained competitive advantage

source: processed data

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Lastly, developing organizational agility through cross-functional integration can further reinforce the dynamic alignment between VRIO resources and capabilities. Bakery X should establish a more flexible organizational structure that facilitates collaboration among departments, reduces bureaucratic barriers, and encourages rapid experimentation. This structure would not only optimize the utilization of existing resources but also accelerate the company's ability to transform them as market conditions evolve. According to Teece (2007), organizational agility built upon well-coordinated processes and empowered decision-making represents the ultimate manifestation of dynamic capabilities, enabling firms to transform valuable resources into sustainable competitive advantage.

In summary, the formulation of strategies for Bakery X centers on reinforcing core VRIO resources while enhancing dynamic capabilities to ensure long-term competitiveness. By integrating resource strength (the “what”) with adaptive capability (the “how”), the company can achieve strategic coherence that allows it to remain resilient, innovative, and responsive within Indonesia's highly competitive bakery manufacturing industry.

Managerial Implications

The findings of this study provide several managerial insights for Bakery X and other firms in the local bakery manufacturing industry. Managers should view human resources as strategic assets by fostering continuous learning, structured knowledge exchange, and cross-functional collaboration to enhance adaptability and innovation. Organizational culture, which emphasizes cooperation and mutual care, must evolve toward a more agile and innovation-oriented mindset to strengthen responsiveness to environmental changes. Technological integration should be prioritized to improve efficiency, decision-making, and customer insight, enabling the firm to sustain its operational agility. Furthermore, marketing and brand management must leverage local identity and digital platforms to reinforce differentiation and customer engagement. Finally, organizational agility should be institutionalized through flatter structures and empowered decision-making, ensuring faster resource reconfiguration and responsiveness. Collectively, these implications highlight the importance of aligning valuable internal resources (VRIO) with adaptive processes (Dynamic Capabilities) to build a resilient and sustainable competitive advantage in a dynamic market environment.

CONCLUSION

This study found that combining the VRIO framework with Dynamic Capabilities offers a comprehensive view of how Bakery X develops and sustains its competitive advantage. The company's strengths stem from valuable and rare human resources, a strong organizational culture, and a unique brand identity tied to local heritage. These resources, when well-organized, lay the foundation for lasting competitiveness. Simultaneously, Bakery X's ability to sense market changes, seize opportunities, and transform its resources provides strategic flexibility and adaptability. The integration of resource-based strengths and adaptive processes enables ongoing innovation, operational excellence, and resilience. Future research could explore how these frameworks apply across different cultural contexts or industries to further validate their generalizability and effectiveness.

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