

# VRIO Model as a Framework for Developing Tourism Competitiveness

## Case Study in Tourism Village in Gianyar Regency, Bali

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**Abstract**— The rapid development of the tourism industry, both at the national and world levels, has caused tourism destinations to be faced with quite tight competition. Competition can cause visitors to get many choices, and therefore in order for a tourism destination to be chosen by the majority of visitors, the destination must be able to win the competition. This phenomenon extends to the intense competition in tourism development in Bali, especially in the development of tourist villages. Based on data from the Central Statistics Agency (BPS) of Bali Province, the growth of rural tourism in Bali has been very rapid in recent years, with an average growth of 5,7 percent per-year. This article discusses the application of the VRIO model in building tourism competitiveness in tourist villages in Gianyar Regency. The research was conducted using a qualitative approach. The study was conducted in three tourist villages in Gianyar Regency, namely Kemenuh Village, Padangtegal Village, and Singapadu Kaler Village.

**Keywords**— *competitiveness, tourist village, VRIO model*

### I. INTRODUCTION

The rapid development of the tourism industry, both at the national and world levels, has caused tourism destinations to be faced with quite tight competition. Competition can cause visitors to get many choices, and therefore in order for a tourism destination to be chosen by the majority of visitors, the destination must be able to win the competition. This phenomenon extends to the intense competition in tourism development in Bali, especially in the development of tourist villages. Based on data from the Central Statistics Agency (BPS) of Bali Province, the growth of rural tourism in Bali has been very rapid in recent years. In 2014 in Bali there were only 122 tourist villages, which increased sharply to 162 tourist villages in 2020 with an average growth of 5.7 percent. For Gianyar Regency in 2020 there has been an increase of five new tourist villages, so that

currently it has a total of 19 tourist villages spread across all sub-districts. Overcoming the problem of intense competition in the tourism industry, a competitive strategy for tourism destinations is needed so that tourist villages can excel in a competitive environment.

Attention to the importance of the competitiveness of tourist destinations in Bali, because tourism is the most dominant source of local revenue. After three decades ago Bali's economic growth was supported by the primary sector (such as agriculture, trade and others), but in recent years the role of this primary sector has been shifted by the tourism sector. Based on data obtained from the Bali Province Central Statistics Agency, the contribution of this sector in 2019 reached 50.02 percent of the total value of Bali's GRDP. The contribution of the tourism sector to employment is also very significant, where this sector absorbs 31.7 percent of the total working population in Bali [1]. Tourism is also recognized as having a very strategic role in increasing economic growth, creating jobs, reducing poverty, and accelerating development and strengthening tolerance [2]. According to Croes (2011), the reasons for the increased attention to competitiveness in tourism are mainly due to three reasons: the growing importance of the tourism sector in global, national and regional economies, increased competition and pressure among destinations and the fact that the benefits of tourism in the short term can be seen clear although in the long term it is not so clear [3].

Since competitiveness was stated as important to the success of both companies and regions as stated by Porter in 1990, until now the concept of competitiveness is still debated. Competitiveness is a key concept in the relationship between environment, territory and population. According to the Organization for Economic Cooperation and Development (OECD) power is referred to as the ability of a place to deliver goods and services, as well as the ability to maintain and expand the real income

of its people in the long term” [4]. On the other hand, according to Crouch and Ritchie, the problem in the definition of competitiveness lies in the fact that it is a comparative concept (relative ability compared to competitors) and multidimensional (following characteristics) [5]. According to Buhalis, the concept of competitiveness is a multifaceted concept that includes various elements including a set of characteristics, resources, facilities, and services [6].

The concept of competitiveness associated with tourism is also still being debated by researchers. The competitiveness of tourist destinations includes several entities as stakeholders involved in tourism product development, production and delivery, and the complex interests and relationships between them, therefore competitiveness in the context of tourism destinations means different interests for different people [7]. Several steps have been made in establishing the theoretical basis of destination competitiveness. However, more studies that are conducted are more concerned with finding the factors of destination competitiveness [8] [9] [10], which are believed to strengthen the conceptual foundation of destination competitiveness. Others try to find common threads in the identification of factors that emphasize capability, attractiveness, satisfaction, and sustainability as aspects of destination competitiveness [11]. Chien-Minn et al., emphasized the need to focus on a competitive evaluation model dedicated to the tourism sector, because its products and services are different from those of other business sectors. Therefore, building an evaluation model and choosing an evaluation method is more necessary to evaluate the competitiveness of tourist destinations [12].

Referring to the Resources-Based View (RBV) approach that builds competitive advantage, internal resources are more important than external factors. According to the RBV approach, organizational performance is mainly determined by internal resources which include physical resources, human resources, and organizational resources [13]. It was further stated that the requirements for company resources to be valuable according to David (2013) have characteristics, namely: rare, difficult to imitate, and not easy to replace. These three characteristics enable companies to implement strategies that can increase efficiency and effectiveness and lead to a sustainable competitive advantage. The more resources that are scarce, not easily replicated, and irreplaceable, the stronger the company's competitive advantage will be and will last longer. Building a competitive advantage in the RBV approach in this study is carried out by applying the VRIO model framework consisting of: valuable, rare, inimitable, and organization. The VRIO framework is a tool to analyze the company's internal resources and capabilities to find out whether the company can be a source of sustainable competitive advantage [14].

## II. LITERATURE REVIEW

### 2.1 *Competitive Strategy*

Competition in the tourism industry globally in recent years has become increasingly fierce. Conditions like this require management to build a competitive advantage strategy appropriately and sustainably. Rahim and Rahman explain that the resources they have company as a source of competitive advantage and deliver superior long-term performance [15]. Hitt et al. (2015) assume that every organization has a unique set of resource capabilities, where unique resources and capabilities are the basis for determining the company's strategy to have above average capabilities [16].

In this study, the concept of competitive strategy refers to the scheme developed by Pearce and Robinson every long term strategy should stem from the company's efforts to seek competitive advantage based on one of three generic strategies, namely: a) Strive for overall low cost leadership in industry; b) Try to create and market a unique product for a group diversified customers through differentiation; c) Trying to have a special attraction for someone or more groups of consumers or industrial buyers, with a focus on cost or differentiation [17].

### 2.2 *VRIO Framework*

The resource-based view (RBV) focuses on resources and highlight that an organization's competitive advantage based on precious, rare, inimitable and organization (VRIO) [18]. Several studies have shown that the VRIO approach has been recognized as being able to describe the competitive advantages of various institutions, including in the tourism industry. The VRIO model framework was first conceived by Barney in 1991. Currently this VRIO model is becoming very popular. The framework is easy to understand, easy to use, and can provide enormous value to organizations looking to stay ahead of competitors. This reason has made the VRIO model the choice for many companies looking to analyze their internal environment.

VRIO Model is an approach to bridge demands of intense competition, value approach, rare (unique factor), cannot be imitated, and involves organizational support (support, processes, and management systems). The VRIO framework aims to measure whether organizational resources have a value, are mature, not easy to imitate, and easy to manage that directed at sources of competitive advantage. There are four dimensions that make up the framework of VRIO: Value, Rarity, Imitability dan Organization [19]. First and foremost, resources must be valuable. Resources are said to be valuable when they enable the firm to achieve a sustainable competitive advantage. Secondly, resources must be rare. If only a few companies can acquire some

resources, then those resources are considered rare. Valuable and scarce resources help companies to execute strategies that other companies cannot. However, this is not a guarantee for long-term competitive advantage. Resources are said to be difficult to imitate if they are difficult to obtain and expensive to imitate.

The resource itself does not create any profit for the company if it is not properly organized. In order to exploit profits and gain value, companies must regulate themselves appropriately. Organizational resources are organized to provide value if they are supported by the company's processes, structure and culture. Resources that are valuable, rare, difficult to imitate, and properly managed to provide value to an organization can create long-term competitive advantage. Resources cannot provide any benefit to the company if they are not managed to create value for the organization. Only companies capable of exploiting valuable, rare, and replicable resources can achieve a sustainable competitive advantage.

The dimensions of VRIO are elements that are interrelated with one another. When a resource is valuable and beneficial to the organization however, the valuable resource does not fit into any of the other dimensions of the framework, it is not a competitive advantage. An organization with resources that are valuable but not scarce or difficult to imitate can only achieve competitive parity. When an organization only has valuable and scarce resources, it means the organization has a temporary competitive advantage. In addition to valuable and rare resources, it is also difficult to imitate and is considered a competitive advantage if it is valuable, rare, and difficult to imitate. However, an organization that is not organized to fully utilize resources, can mean those resources are an unused competitive advantage.

So, the resources within the VRIO framework are high-quality resources that can prepare sustainable competitive advantage as shown in Fig. 1.

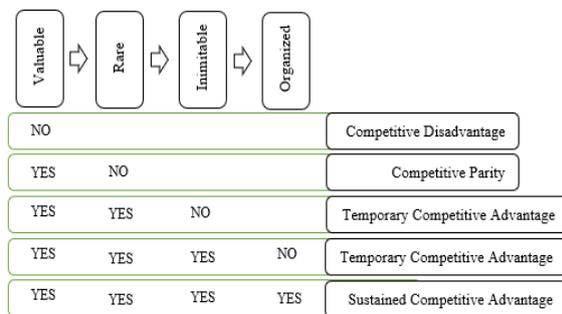


Fig 1 VRIO Framework

2.3 *Tourism Village Concept*

The existence of tourist villages in the course of tourism development in Indonesia is so important. The tourist village is able to create a tourism industry that more dynamic in a tourism area, so that tourism does

not always trap in the trend of developing mass tourism. Through tourist villages, tourism proves its alignment with the spirit of tourism as an absorber of labor rural areas, as a generator of regional economic growth, and as a poverty alleviation (pro-job, pro-growth, and pro-poor). The concept of a tourist village is a form of integration between attractions, accommodation and services supporting facilities that are presented in a structure of community life that blend with the prevailing customs and traditions. Tourist Village is tourism which consists of the whole experience countryside, natural attractions, traditions, unique elements that are a whole can attract tourists [20].

A tourist village is a rural area that offers socio-cultural authenticity, daily life, traditional architecture, village spatial structures that are presented integrated with other tourism components (attractions, accommodation and tourism supporting facilities). This definition is identical with the notion of a tourist village as a representation of all activities in the countryside that can meet the needs of tourists for peace, recreation and active recreation. Visitors can experience the traditions and way of life of the community, live with local community families, and actively participate in the daily activities of the local community [21]. The main ingredient of tourism rural areas are authenticity, uniqueness, regional specialties, and regional pride in the form of lifestyle and quality of life of the people. Authenticity influenced by the economic, physical, and social conditions of the rural area.

III. MATERIAL AND METHOD

This study used a qualitative approach in a single case study design. The data were collected through field observation and interviews. The participants for each tourist village are five people, consisting of the Village Head, Traditional Village Leader, Head of Tourism Awareness Groups, Leaders of "Subak" (agricultural organizations), and Community Leaders. The total number of participants in this study was 15 people (5 participants x 3 villages). In this study the sampling technique used is nonprobability sampling with purposive sampling technique with consideration as the following: (1) know the problems of tourist villages in depth, (2) able to be critical and objective, (3) willing to share experience about the ins and outs of the village.

The study was conducted in 3 tourist villages in Gianyar Regency, namely Kemenuh Village, Singapadu Kaler Village, and Padang Tegal Village (Fig. 2).



Fig 2 Research location

Data analysis techniques used in this study include reduction data, data presentation, and verification. Data from the results of interviews then carried out the selection process, simplification, abstraction and transformation of raw data from written records in the field.

IV. RESULT AND DISCUSSION

Main issues of tourism destination competitiveness related to challenges in how to conduct competitiveness assessments. In the In this context, attention is paid to the importance of the indicators used to assess and factors that represent the overall picture of the competitiveness of tourism destinations. After the initial investigation with observations at the location of the tourist village which became the object of research, more was obtained focused insight into development in each destination. The next stage of this research is to use interview techniques by exploring the opinions of selected participants on the four dimensions of the VRIO model framework, namely: valuable, rare, inimitable, and organization.

The elements observed in this study refer to the Law of the Republic of Indonesia No. 10 of 2009, which is related to tourist attraction. Tourist attraction is described as everything that has uniqueness, convenience, and values in the form of a diversity of natural, cultural, and man-made resources who are targeted or visited by tourists. Tourist attraction is everything that is owned by every tourist attraction or tourist destinations that have characteristics that are able to attract the sympathy of tourists to visit the tourist spot. Tourist attraction consists of natural tourist attractions, cultural tourist attractions, man-made tourist attractions, and special interest tourist attractions.

4.1 Identification of the tourist village attractions

Based on the results of observations and interviews with research participants, the following can be described the tourist attractions of the three tourist villages that are used as research objects, as shown in Table 1.

TABLE 1 TOURIST ATTRACTION

Tourist Village	Attraction		
	Natural Tourist	Cultural Tourist	Man-made Tourist
Kemenuh Village	Waterfall Rice fields	Community life, Traditions, Religious ceremonies Local arts	Traditional architecture Wood carving
Padangtegal Village	Monkey forest	Community life, Traditions, Religious ceremonies	Traditional architecture
Singapadu Kaler Village	Rice fields	Community life, Traditions, Religious ceremonies Local arts	Stone carving

Source: primary data (2021)

The data in Table 1 shows that the basis for developing tourist villages in general refers to the village's potentials (nature, culture, man-made). However, the dominant tourist attraction is based on natural and cultural tourist attractions. Except for the Padangtegal tourist village. The most prominent attractions presented in the research village are cultural attractions based on community beliefs and ancestral heritage traditions. Observing the tourist attractions offered by tourist villages are relatively similar to one another. This will certainly bring a climate of intense competition among tourist villages.

4.2 Evaluation of tourist attraction with the VRIO framework

The VRIO framework is a tool to analyze the company's internal resources and capabilities to find out whether the company can be a source of sustainable competitive advantage. In the VRIO analysis of the attractiveness of rural tourism in this study, it was analyzed from four questions as follows:

- The first question in the framework of this analysis is whether the tourist village has the resources that are able to add value to take advantage of opportunities and survive in the face of threats.
- Is the tourist attraction only owned by one or very few tourist villages that have the tourist attraction so that it is a resource that is considered rare.
- Whether a tourist attraction owned by a tourist village has a high cost will be difficult to imitate, buy, and replace.

- Has the tourist attraction been well organized to create value for the tourist village itself? Managers must manage management systems, processes, policies, structures and organizational culture to be able to fully realize the valuable, rare and expensive potential in order to achieve a sustainable competitive advantage.

Referring to the VRIO model framework, it can be identified the competitiveness of tourist villages based on the elements of tourist attraction.

TABLE 2 TOURIST ATTRACTION

Tourist Village	Dimenssion			
	Valuable	Rare	Inimitable	Organized
Kemenuh Village	Yes	Yes	No	Yes
Padangtegal Village	Yes	Yes	Yes	Yes
Singapadu Kaler Village	Yes	Yes	No	Yes

Source: primary data (2021)

The results of the analysis shown in Table 2 can provide an overview of the competitiveness of the tourist village which is used as the object of research. Kemenuh Tourism Village and Singapadu Kaler Tourism Village are classified as tourist villages that have temporary competitive advantages. This is due to the fact that the tourist attractions of these two tourist villages are almost developed by many other tourist villages. This means that the tourist attraction is very easy to imitate by other villages. Only the Padangtegal tourist village has its own specifications so that it can be said to have a sustainable competitive advantage. Natural tourism objects that are owned are very difficult to imitate and even impossible to imitate by other tourist villages, namely the fauna tourism attraction (Monkey forest). although in fact there are other tourist villages that are developing, but the management carried out by the Padangtegal tourism village is very good and able to provide welfare for the local community.

V. CONCLUSIONS

Based on the results and discussion of the research, it can be concluded that Based on the results and discussion of the research, it can be concluded that building a competitive advantage for rural tourism destinations requires an appropriate strategy. RBV theory has suggested that competitive power is built through understanding the internal resources of the tourist village itself. To be able to understand this, it is necessary to analyze the available resources by applying the VRIO model. From this model will be obtained an overview of the extent to which tourist villages have an advantage in competing. Analysis of the three tourist villages used as research objects by applying the VRIO model can be seen that two tourist villages (Kemenuh Village and Singapadu Kaler) have

a temporary competitive advantage, while Padangtegal Tourism Village has a sustainable competitive advantage.

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