**Value Chain Analysis Instrument**

**Identify the industry, market, and market segment.**

1. Identify the industry, market, and market segment under analysis.
2. Place this in the instrument.

**Analyze data about the internal environment of the firm.**

Analysis is the process and result of examining all the data available for the case and identifying and classifying all the data for each category in a strategic management framework.

1. Methodically and thoroughly examine all the data available from the case about the internal environment.
2. Identify firm-specific primary and support activities that make the firm unique and that have the potential to provide a competitive advantage or competitive disadvantage.
3. Place them in the instrument below in the lefthand column titled “Value chain activities.”
4. Analyze whether each firm-specific activity is a strength that may provide a competitive advantage or a weakness that may lead to a competitive disadvantage.
5. For each activity, analyze and state the reasons why it is a strength or weakness for the firm. Please note that it is possible that there are different specific activities within one area of a primary or support activity that can be a strength and a weakness. For example, within the procurement activity, a strong buying power can be a strength for a firm, whereas the use of technology in procurement or partnerships with key suppliers may be a weakness. An example for the human resource management activity could be that the firm is great at attracting new talent, which is a key strength; however, the firm may perform poorly at retaining diverse talent, which would be a weakness. Hence, it is important to analyze specific elements of the business function/activity to come to a value-adding assessment of the firm’s strengths and weaknesses.
6. Place the analysis in the instrument below in the columns titled “Strengths” and “Weaknesses.”

**Interpret the analysis.**

Interpretation is the process and result of examining the analysis to identify and explain relationships in the analysis and underlying root causes of the situation. Interpretation is not found in the company research. Interpretation applies critical thinking to the analysis conducted so far. Answer only those questions that add value to the overall process of working with the value chain analysis tool to analyze the internal environment of the firm. Interpretation begins to narrow the focus.

1. Examine the analysis of each firm-specific primary and support activity.
2. Identify and explain whether, how, and in what ways the information in the analysis is related.
3. Identify and explain underlying root causes of the situation.
   1. What may be causing the information identified in the analysis?
4. Place the interpretation in the instrument below in the section titled “Interpretation.”

**Evaluate the analysis and interpretation.**

Evaluation is the process and result of examining the analysis and interpretation to identify and explain the meaning of the information to the company by considering its impact, relevance, and importance to the company and by identifying the company’s current, potential, or needed assets, organizational capacity, and managerial ability that may support or mitigate the areas of highest impact, importance, and relevance for the firm. Like interpretation, evaluation is not found in the company research. Evaluation applies critical thinking to the analysis and interpretation conducted so far. Answer only those questions that add value to the overall process of working with the value chain analysis to analyze the internal environment of the firm. Evaluation continues to narrow the focus.

1. Examine the analysis and interpretation.
2. Identify and explain whether, how, and in what ways the information in the analysis and interpretation impacts the company.
3. Identify and explain whether, how, and in what ways the information in the analysis and interpretation is relevant to the company.
4. Determine in what ways the information in the analysis and interpretation is important to the company.
5. Determine the company’s current, potential, or needed assets, organizational capacity, and managerial ability that may support or mitigate the areas of highest impact, relevance, and importance for the firm.
6. Place the interpretation in the instrument below in the section titled “Interpretation.”

**Recommend action to the firm.**

1. Make recommendations to the company to leverage strengths in the value chain to drive competitive differentiation and to win in the market.
2. Make recommendations to the company to address weaknesses in the value chain that negatively impact the firm’s ability to win in the market.
3. Make recommendations to the company to take costs out of value chain activities to improve its cost structure.
4. Make recommendations to the company to increase the value contribution to customers in different value chain activities in support of competitive differentiation as well as meeting and exceeding customer expectations.
5. Make recommendations to the company to shift resources from non-key value chain activities to key value chain activities that are critical for the buying decisions of the firm’s customers.
6. Make recommendations to the company to outsource value chain activities that are not key to the firm and that can be better provided by specialized third-party providers.
7. Place the recommendations in the instrument below in the section titled “Recommendations.”

|  |  |  |
| --- | --- | --- |
| **Value chain** | | |
| **Identify the industry, market, and market segment.** | | |
| The industry is:  The market is:  The market segment is: | | |
| **Value chain activities** | **Strengths** | **Weaknesses** |
| **Primary activities** | | |
| Inbound logistics   * Sustainable global supply chains * Efficient warehousing * Robust and reliable logistics * Just-in-time delivery * Efficient inventory management |  |  |
| Operations   * Lean processes * Reliable, safe, and efficient manufacturing * Robust quality control * Economies of scale * Positive experience curve effects |  |  |
| Outbound logistics   * Reliable and cost-effective delivery * Appropriate locations and network of warehouses * Customer-centric design of supply chain and logistics |  |  |
| Marketing and sales   * Excellence in pricing and margin management * Effective communication policies (including use of social media, search engine optimization advertising, direct sales, etc.) * Professional sales channel strategy and distribution management * Omnichannel strategy (if appropriate) * Robust product portfolio management |  |  |
| Service   * Customer-centric customer service * Quick response time * Use of data analytics * Two-way communication with customers |  |  |
| **Secondary activities** | | |
| Firm infrastructure   * Corporate functions like finance, IT, legal, business development, etc. add value to the business * Business functions in firm infrastructure are at best-practice level * Appropriate corporate governance * The firm's headquarters adds value to the strategic business units and business divisions |  |  |
| Human resource management   * Ability to attract and retain talent * Diverse workforce and inclusive corporate culture * Strong performance culture * Compensation and benefits systems in support of talent and corporate strategy * Data-driven approach with use of HRIS (human resource information systems) |  |  |
| Technology, research, & development and innovation management   * Strong innovation culture * Customer-centric approach to innovation ideation process * Clearly defined innovation process * Open innovation with the input of external partners like suppliers, customers, and universities * Transparent measuring of the return on investment through meaningful KPI and metrics and an innovation scorecard * Efficient management of IP to protect the outcome of the firm’s innovation output * Strength of innovation pipeline |  |  |
| Procurement   * Use of purchasing power of the firm * Leverage opportunities for global sourcing * Value-adding strategic partnerships with key suppliers * Diversity and sustainable sourcing as part of ESG strategies (see Chapter 10) * Design sourcing with reliable, high-quality supply at low prices |  |  |
| **Interpretation** | | |
| Answer only those questions that add value to the overall process of working with the value chain analysis instrument to analyze the internal environment of a firm.   1. How is the information in the analysis related? 2. What may be causing the information identified in the analysis? | | |
| Interpretation: | | |
| **Evaluation** | | |
| Answer only those questions that add value to the overall process of working with the value chain analysis instrument to analyze the internal environment of a firm.   1. How does the information in the analysis and interpretation impact the company? 2. How is the information in the analysis and interpretation relevant to the company? 3. In what ways is the information in the analysis and interpretation important to the company? 4. What are the company’s current, potential, or needed assets, organizational capacity, and managerial ability that may support or mitigate the areas of highest impact, relevance, and importance for the firm? | | |
| Evaluation: | | |
| **Recommendations** | | |
| 1. What do you recommend to the company to leverage strengths in the value chain to drive competitive differentiation and to win in the market? 2. What do you recommend to the company to address weaknesses in the value chain that negatively impact the firm’s ability to win in the market? 3. What do you recommend to the company to take costs out of value chain activities to improve its cost structure? 4. What do you recommend to the company to increase the value contribution to customers in different value chain activities in support of competitive differentiation as well as meeting and exceeding customer expectations? 5. What do you recommend to the company to shift resources from non-key value chain activities to key value chain activities that are critical for the buying decisions of the firm’s customers? 6. What do you recommend to the company to outsource value chain activities that are not key to the firm and that can be better provided by specialized third-party providers? | | |
| Recommendations: | | |