

COMPETITIVE ADVANTAGE & VALUE CHAIN SISTEM INFORMASI

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Definition of Competitiveness

- Objective of a business is to make a profit.
- Profit based on providing value to customers.

How can a business assure value to customers?

A good competitor knows:

- Which products and services it offers.
- Who its customers are.

2

Competitive Advantage

To assure positioning for profit, a company must maintain competitive advantage.

- Methods that are achievable and sustainable.
- Work smarter.
- Assess whether Information Systems are appropriate to gaining a competitive advantage
- Focus on three primary inputs: HR, Capital, Technology.

Porter Competitive Model (1)

- Used to understand and evaluate the structure of an industry's business environment and the threats of competition to a specific company.
- Was not developed for IS use.
- Breaks an industry into logical parts, analyzes them and puts them back together.

Porter Competitive Model (2)

Potential New Entrants



Bargaining
Power
of Suppliers



Intra-Industry
Rivalry
Strategic Business Unit



Bargaining Power of Buyers



Substitute
Products
and Services

Key Industry Analysis Factors

- Collecting the data.
- Determining which data is important.
- Selecting an appropriate overall approach.
- Deciding on the logical starting point.

Porter Competitive Model Heavyweight Motorcycle Manufacturing Industry North American Market

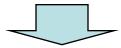
- Parts Manufacturers
- Electronic Components
- Specialty Metal Suppliers
- Machine Tool Vendors
- Labor Unions
- IT Vendors

Bargaining Power of Suppliers



- Automobiles
- Public Transportation
- Mopeds
- Bicycles

Potential New Entrant



Intra-Industry Rivalry

SBU: Harley-Davidson

Rivals: Honda, BMW,

Suzuki, Yamaha



Substitute Product or Service

- Foreign Manufacturer
- Established Company
 Entering a New Market
 Segment
- New Startup



Bargaining Power of Buyers

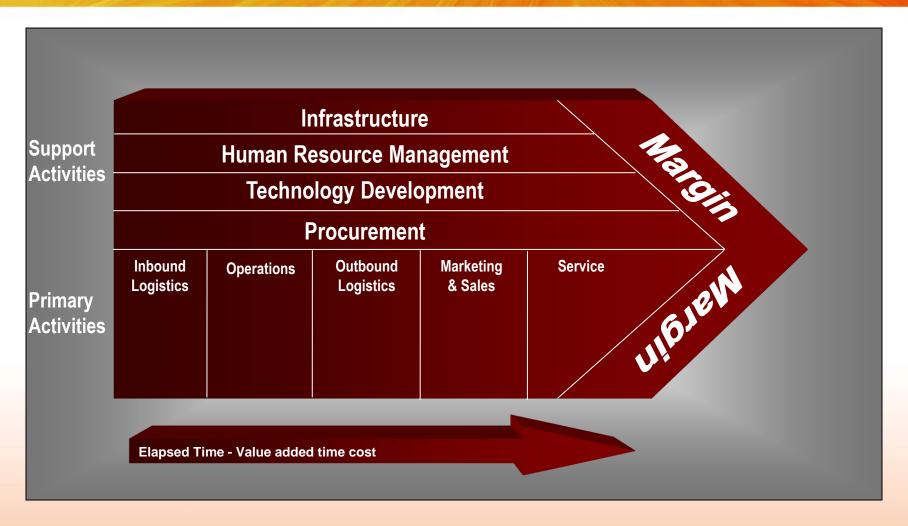
- Recreational Cyclist
- Young Adults
- Law Enforcement
- Military Use
- Racers



Michael Porter's Value Chain

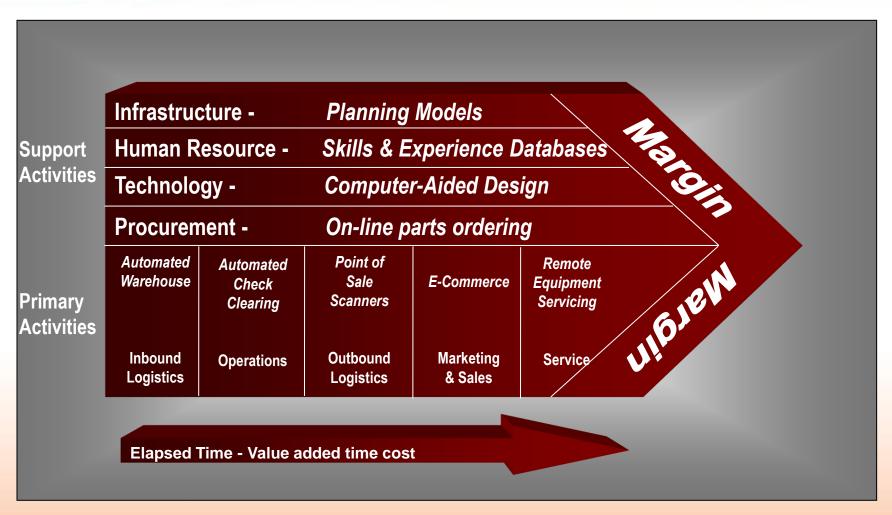
- Developed by Michael Porter but different from competitive model because it focuses within the company.
- Analyzes the cross-functional flow of products or services within an organization that add value to customers.
- The Value Chain can be used to determine where IS can strengthen the flow of primary and support activities within an organization.
- Every segment of an organization needs IT and IS to be competitive. So this model is essential to visualizing the flow of activities within segments through the use of IS and IT.
- Benefit : Identifies value processes
 - Identifies areas for cost improvement

Porter's Generic Value Chain



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Potential IS Contributions



Primary Activities

- Inbound logistics activities associated with receiving, storing, and disseminating inputs to the products or services
- Operations- activities associated with transforming inputs into the final products or services
- Outbound logistics activities associated with collecting, storing, and physically distributing the products or services
- Marketing and sales activities associated with providing a means by which customers can buy produce and the means for inducing them to buy
- Service activities associated with providing service to enhance or maintain the value of the products or services

Support Activities

- Procurement the function of purchasing inputs to firms value chain
- Technology Development the know-how, procedures, or technology embedded in processes that are intended to improve the product, services, and/or process
- Human Resource Management activities involved in recruiting, hiring, training, developing, and compensating all types of personnel
- Firm Infrastructure activities that support the entire value chain (e.g. general management, planning, finance, accounting, legal, government affairs, quality management, etc.)

Porter Value Chain

Manufacturing Industry Value Chain

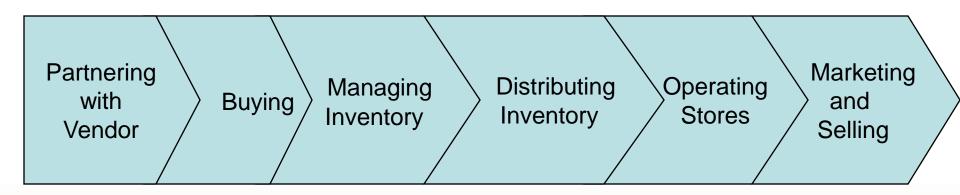
Research and Engineering and Marketing and Development Manufacturing Distribution Sales

Output

Development Manufacturing Distribution Sales

Service

Retail Industry Value Chain



Property and Casualty Industry Value Chain

FIRM INFRASTRUCTURE

> HUMAN RESOURCE **MANAGEMENT**

TECHNOLOGY DEVELOPMENT

PROCUREMENT

ı						
	-Financial Policy	y -Regulatory (Compliance -	nce - Legal - Accounting		
		Actuary Training		Agent Training	Claims Training	
		Actuarial Method Investment Practices	S	Product Development Market Research	Claims Procedures	
		I/T Communications				
	•Policy Rating	Underwriting Investment	•Independent Agent Network •Billing and Collections	Policy Sales Policy Renewal Agent Management Advertising	•Claims Settlement •Loss Control	
	INBOUND LOGISTICS	OPERATIONS	OUTBOUND LOGISTICS	MARKETING AND SALES	SERVICE	

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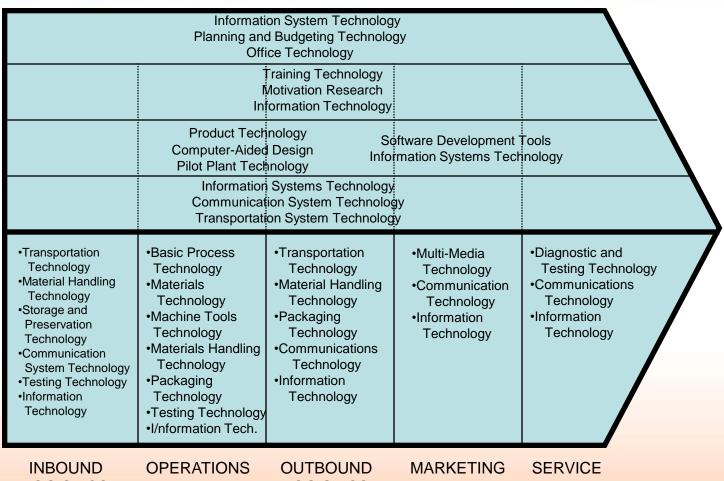
Technologies in the Value Chain

FIRM INFRASTRUCTURE

> HUMAN RESOURCE MANAGEMENT

TECHNOLOGY DEVELOPMENT

PROCUREMENT



LOGISTICS

LOGISTICS

AND SALES