Value chain and competitive forces

[Finance](), [Market]()

Value Chain and Competitive Forces: Effects of InformationTechnologyModule 2 Case John Dow ITM524: Fundamentals of Information Technology Management Dr. Somebody Somebody February 4, 2012 Introduction Businesses are established with the sole reason to provide a product or service to a customer with the intend to make a profit. The amount of time, effort, and resources spend should generate a profit. Then, the profit depends “ on its effectiveness in performing these activities efficiently, so that the amount that the customer is willing to pay of the products exceeds the cost of the activities in the value chain” (NetMBA. om). Ideally, these products and/or services outpace the competition. In order to do so, Michael Port, suggest a company must sustain long-term profitability (Porter, 2008). He suggests one must look beyond your direct competitors; as explained in his revolutionary 1979 HBR article and further defined in 2008. There, he identifies “ the five forces that shape industry competition”, for businesses to utilize in shaping a strategic vision for long-term sustainability; or better know for the organizations’ sustainability.

This paper will deliver as points of discussion or analysis the value chain and competitive forces based on ‘ The Mini-cases: 5 companies, 5 strategies, 5 transformations article and cases; and what, if any, affects did Information Technology have on the value chain and competitive forces on those five organizations. Mini Case # 1 – A Better Place In the first mini case, a company called Better Place presents its challenge within timely opportunity. It wants to enable the fastest way to bring electronic filling stations, as future technology, to a market of electronic vehicles.

To gain a “ first in” advantage of this new market, the company takes in to full consideration the Cost Advantage and the Value Chain. As identified by Porter, on e of the 10 cost drivers related to the value chain activities is geographical location and timing of market entry. Furthermore, ‘ Differentiation and the Value Chain’ analysis was taken into consideration; in other words, the ‘ uniqueness’ to gain advantages. Again, Porter identified several drivers of uniqueness. The ones applicable here are (1) policies, (2) timing, (3) location, at a minimum.

Developing a strategy to maintain sustainability, or as some novice management called it “ maintain business viability” (Fromartz, S. (2009), is key to ensure long-term success. Better Place’s strategy is accruing a competitive advantage in removing a major barrier to the widespread adaption of electric cars by identifying favorable locations. Mini Case # 2 – Nike Nike had a unique challenge to overcome compliance over criticism of labor practices and capitalize on sustainability efforts. Identifying waste in product design and manufacturing enabled cost savings of $700 million a year.

After careful analysis of technology and the value chain, Nike identified inbound and operations technology (The Value Chain, NetMBA. com). Technology was a key enabler to analyze and identify excess materials utilized in manufacturing. For example, it was found it took three shoes’ worth of material to produce just two. A complete Business Process Re-engineering (BPR) approach was adopted. BPR is the analysis and design of workflows and processes within an organization (wikipidia. com). Nike outsourced a value chain activity by hiring experts into the process, like Dow DuPont, and BASF.

This enabled the company to evaluate and improve its supply system. The result speaks for itself, as identified above. One could suspect that by definition, an Enterprise Resource Planning Software was integrated or modified to identify the shortcomings in Nike's supply chain (ERP Definition and Solution CIO. com). Mini Case # 3 – Rio Tinto In its quest for sustainability, Rio Tinto's challenge was to obtain a " social license" to operate and nurture the local labor force needed by creating operations " respectful to theenvironment, respectful of our employees, that is seen to be sustainable," said CEO Tom Albanese (Fromartz, S. 2009). Within technology and the value system, this called for an emphasis on media relations to disseminate information to the local community and its leaders. Solidcommunicationpractices, i. e. strategic communications, was of the utmost importance to gain therespectand acceptance of the population. Perhaps by obtaining the acceptance of the local population, Rio Tinto was able to mitigate any threats from new entrants into the market at the specific location as well; allowing control of one of the five forces that shape industry competition to remain in check.

Finally, helping to form the International Council on Mining and Metals should have allowed them strategic power over existing competitors (another of the 5 forces). Mini Case # 4 – General Electric General Electric's (GE) challenge was to create a new business in sustainability. GE saw profitable business opportunity in helping companies save energy. To mitigate the ' Rivalry among Existing Competitors', GE's focused on bringing new capacity and was still able to produce pressure on prices; mitigating negative price competition.

As Porter mentioned: " Rivalry is especially destructive to profitability if it gravitates solely to price because price competition transfers profits directly form an industry to its customers. (Porter, 2008) From an information technology standpoint, GE concentrated on effectively measuring the amount of energy savings its products can produce and utilized the data as a proof of concept to customers who were interested in obtaining likewise results. This energy savings called Ecoimagination sold solutions within GE and out of GE; resulting in the company's saving of $100 million and cut of greenhouse-gas effect by 41%.

As the proof of concept was accepted and implemented; GE was invested $4 billion and reaped sales of $17 billion in 2008 (Fromartz, S. (2009). Mini Case # 5 – Wal-Mart Creative new ways of supplying products to the customer has enabled Wal-Mart to ' green the supply chain', thereby boosting savings and increase profits to enable enduring sustainability. Wal-Mart identified its criteria down into the supply chain on a three stage path (Fromartz, S. (2009). It sourced information to more than 100, 000 supplies about their energy and greenhouse-gas emissions.

Then, measured their products throughout their life-cycle and finally made it transparent to the customer. It's focus on a greener product reaped rewards in a more efficient production, less waste and lower emissions. This effort enabled cost-savings to such an extensive degree that Wal-Mart is able to pass on to the customer—enabling the superstore to maintain a competitive edge…a strategy for sustainability. Conclusions In conclusion, innovative approaches give companies an edge over competitive forces within the business value chain.

Information technology is a key enabler to gather and disseminate information in a timely fashion; enabling key decision makers with crucial information. Therefore, one must realize technology changes constantly and keeping up with its change is continuous improvement process. References CIO. com. ERP (Enterprice Resource Planning) Definition and Solution. Retrieved on January 28, 2012 from http://www. cio. com/article/40323/ERP_ Definition_ and_Solutions Fromartz, S. (2009). The Mini-Cases: 5 Companies, 5 Strategies, 5 Transformations.

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