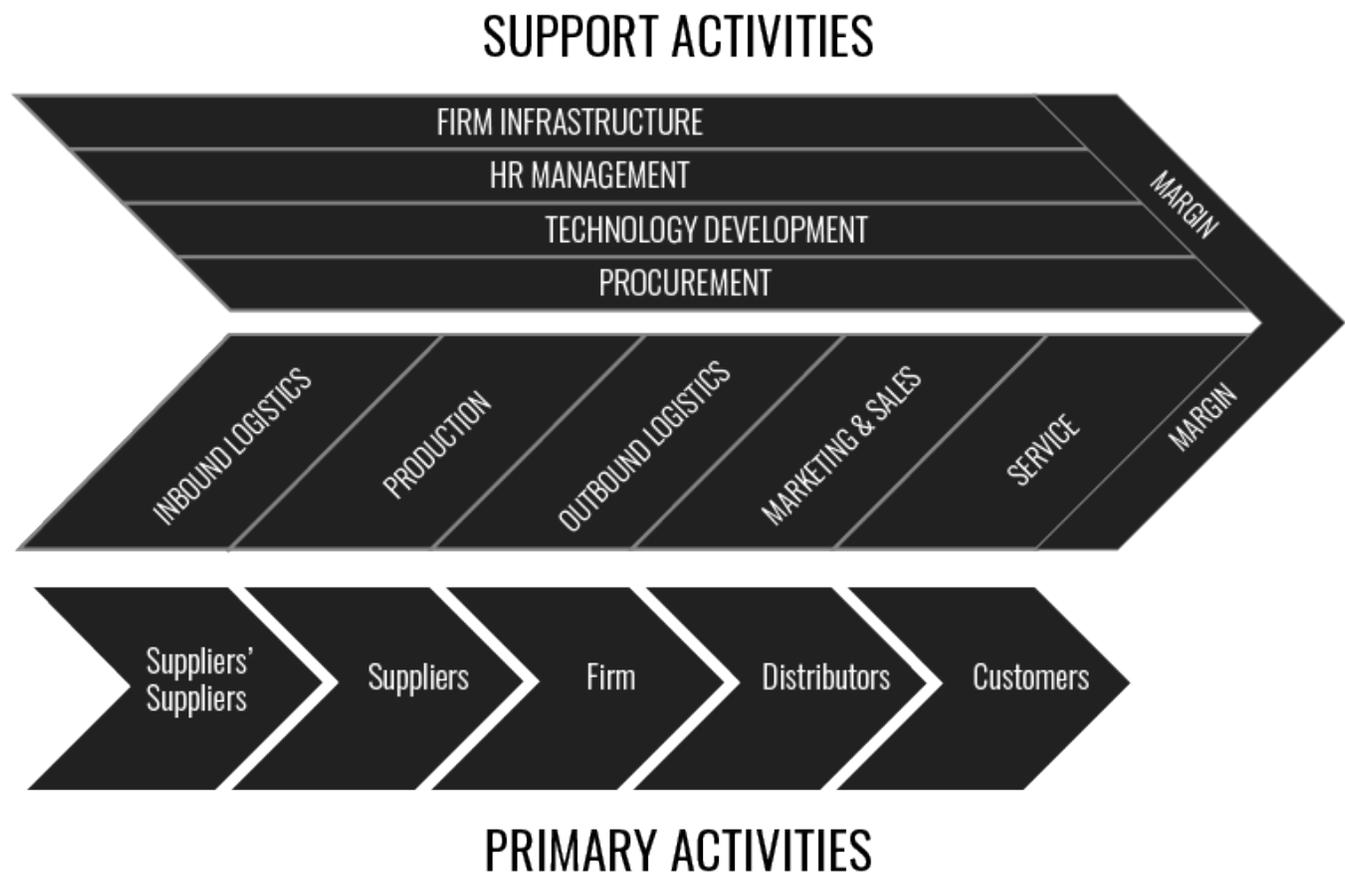


Value Chain Analysis

Value Chain Analysis is a powerful analytical tool which allows businesses understand their internal costs and find a competitive advantage. There are two varieties of value adding activities: support activities and primary activities. Primary activities are the primary means by which value is added to the production process, while support activities do not add value directly, instead providing infrastructure and support to the flow indirectly.

Below is an example of a generic value chain, originally developed M. Porter in 1985.



Value Chain Analysis, as powerful as it is, may be difficult to understand and implement in a practical manner. To address this, a template has been made for you to conduct a VC Analysis for your organization.

Keep in mind, the example above is a generic rendition of a value chain. In reality, value chains are complex and difficult to outline in its entirety as it spans the whole production process, including Support Activities and Primary Activities.

I. Observation

Observe a few activities of your business that affect your product or service, whether it be production line efficiency, team/department communication, or product quality. It could be anything within your business. Take a look at the Value-Chain tool to give you some ideas.

Monitor the beginning stages of getting supplies, to the end receiving reviews from customers and nurturing them to be return customers. Take these individual aspects of your business and take notes on what is going on.

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II. Analysis

Whether you have to make changes or improve upon an already existing method, there is always an aspect of your business where you can cut out the fat to improve your business model.

Analyze what you have monitored and brainstorm ideas for each activity. Write down how you can improve the activity to add value for the consumer, your product, and company,

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III. Collaboration

To get the most cohesive and comprehensive understanding of your value chain, look for additional opinions and perspectives. Distribute this template and have other members of your team fill it out independently.

Get multiple opinions on the changes you would make and discuss them. Having more input is a great way to validate the changes you want to make. Where does someone else have more experience in the value chain than you? Who might be a useful resource to refer back to?

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IV. Execution and Evaluation

After you and your team have analyzed your current situation and determined the best course of action, make a plan to execute and implement your ideas. What resources do you need? Is there going to be a serious change in your corporate structure? What could go wrong? What does success look like?

After implementing the changes, it is important to evaluate your performance. What went according to plan? What didn't? Where is there still a need for improvement?

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