



2022 Axia Institute Summit

VALUE CHAIN OVERVIEW

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Session Objective and Agenda

OBJECTIVE

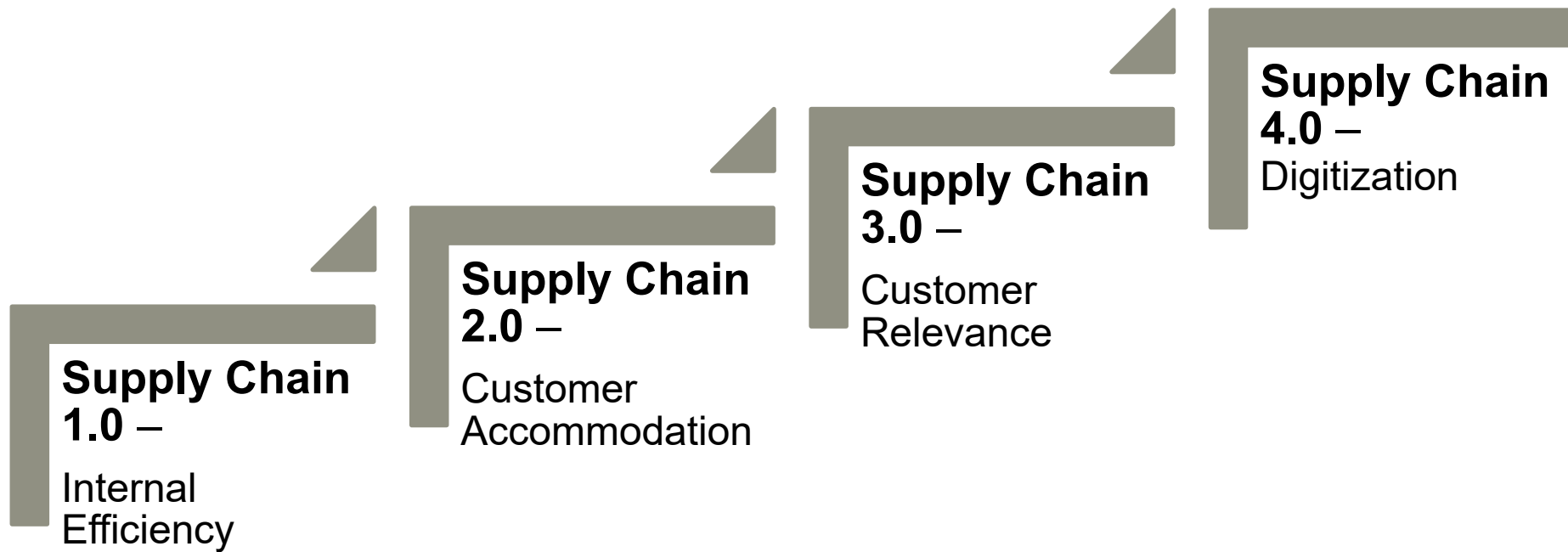
- Discuss how value chain strategies can enhance performance and overall company competitiveness through improved customer value

TOPICS

- End-to-End Value Chain Management & Competitive Strategy
- Business Strategy & Business Models
 - Channel Management
- Customer Value Propositions & Segmentation
 - Journey Mapping
 - Customer Metrics
- Examples & Success Stories



Evolution from Supply Chains to Value Chains





Integrated Value Chain Strategy

What are the key characteristics of an integrated value chain?



Integrated Value Chain Strategy

Gaps

- Lack of Common Definition
- Functional Bias
- Positional Bias

These gaps can create misunderstanding and confusion in the execution of integrated value chain strategies.



Integrated Value Chain Strategy

- *Old paradigm* - Firm gained synergy as a vertically integrated firm encompassing the ownership and coordination of several value chain activities.
- *New paradigm* - Firm in a value chain focuses activities in its area of specialization and enters into **voluntary** and **trust-based relationships** with supplier and customer firms (need to consider internal and external relationships).

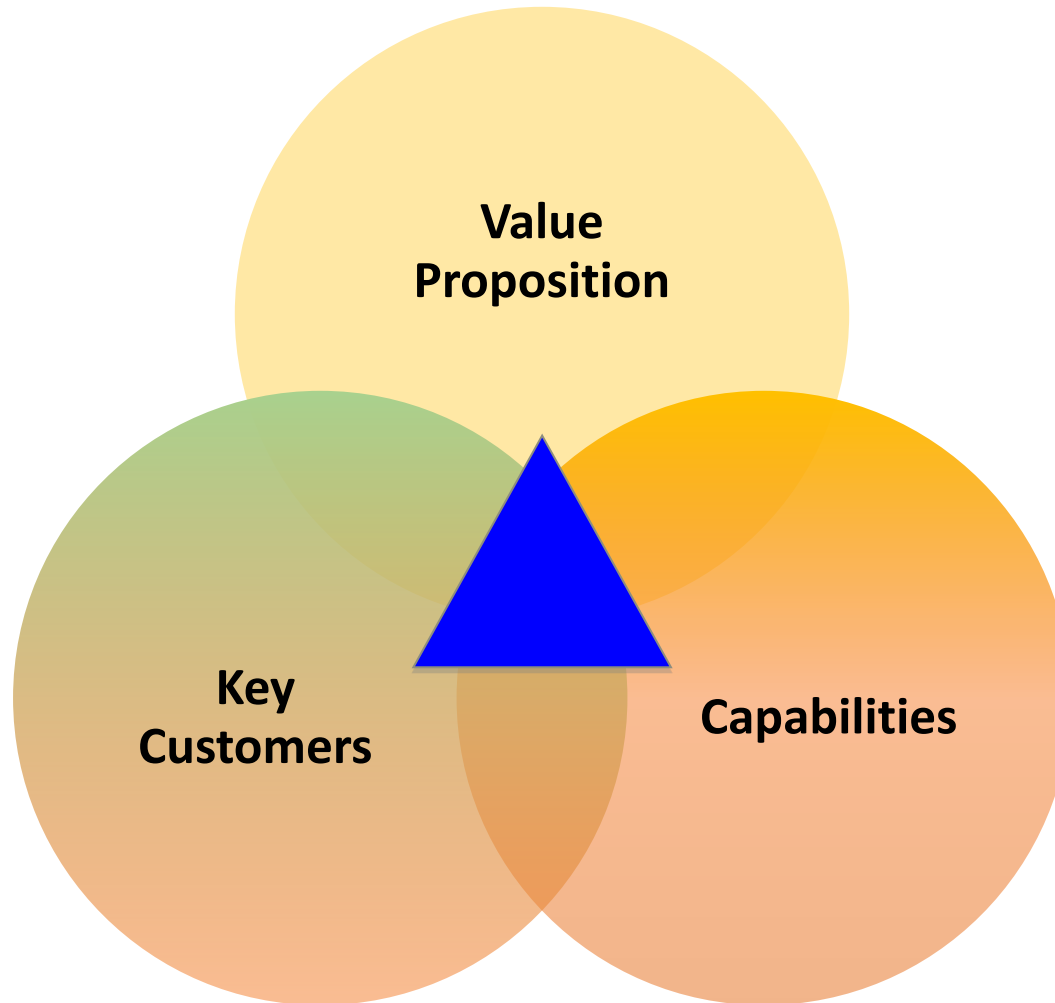


Integrated Value Chain Strategy

- **Supply chain management** is a way to **link** major business processes within and across companies into a high-performance business model that drives competitive advantage
- **Supply chain management** integrates supply and demand management within and between companies
- **Value chain management** is a particular approach to supply chain management that prioritizes customer value as the primary driver of competitive advantage



Business Model

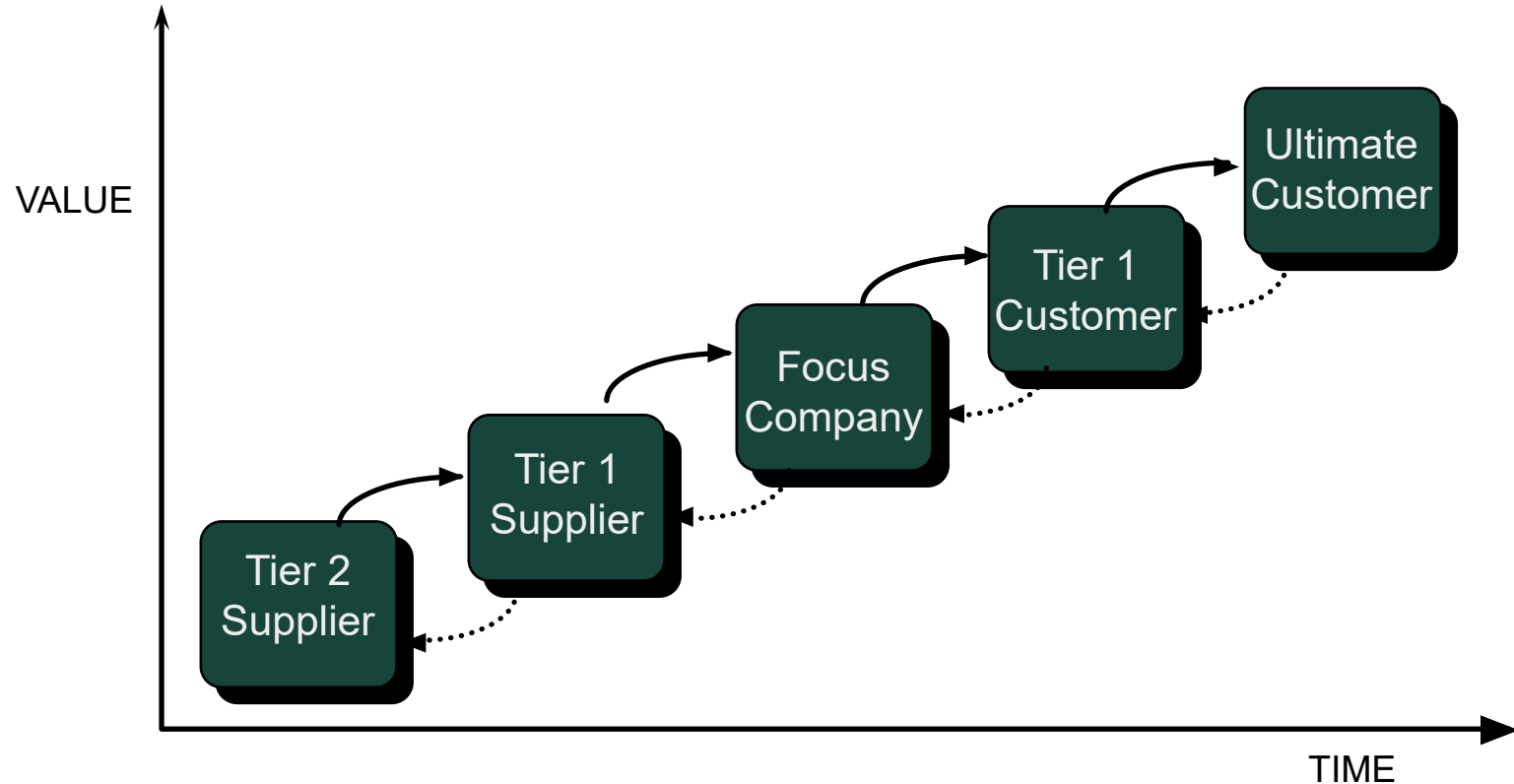


Developed by Dr. Steven A. Melnyk, Michigan State University.



Integrated Value Chain Strategy

- Historically, businesses in the value chain have operated relatively independently of one another to create value for an ultimate customer
- Independence was maintained by buffers of material, capacity and lead times

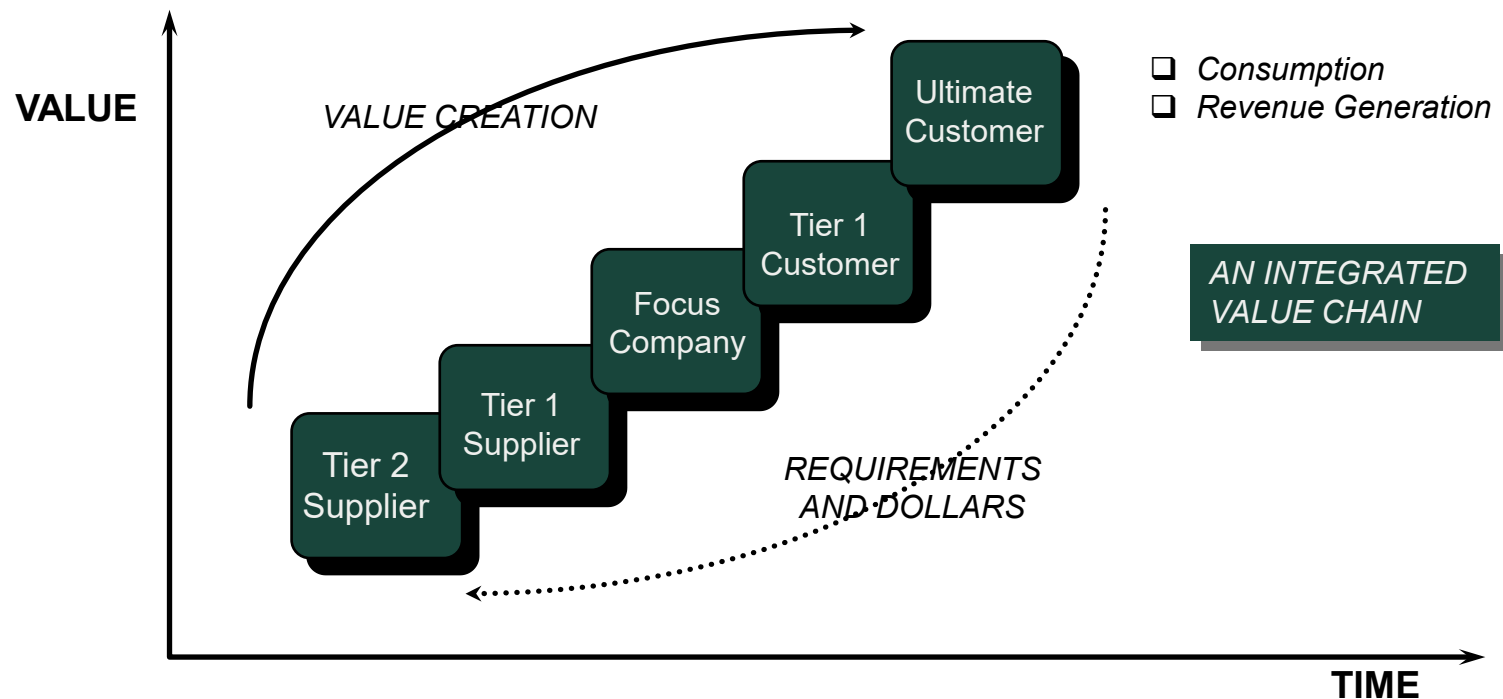




Integrated Value Chain Strategy

However...

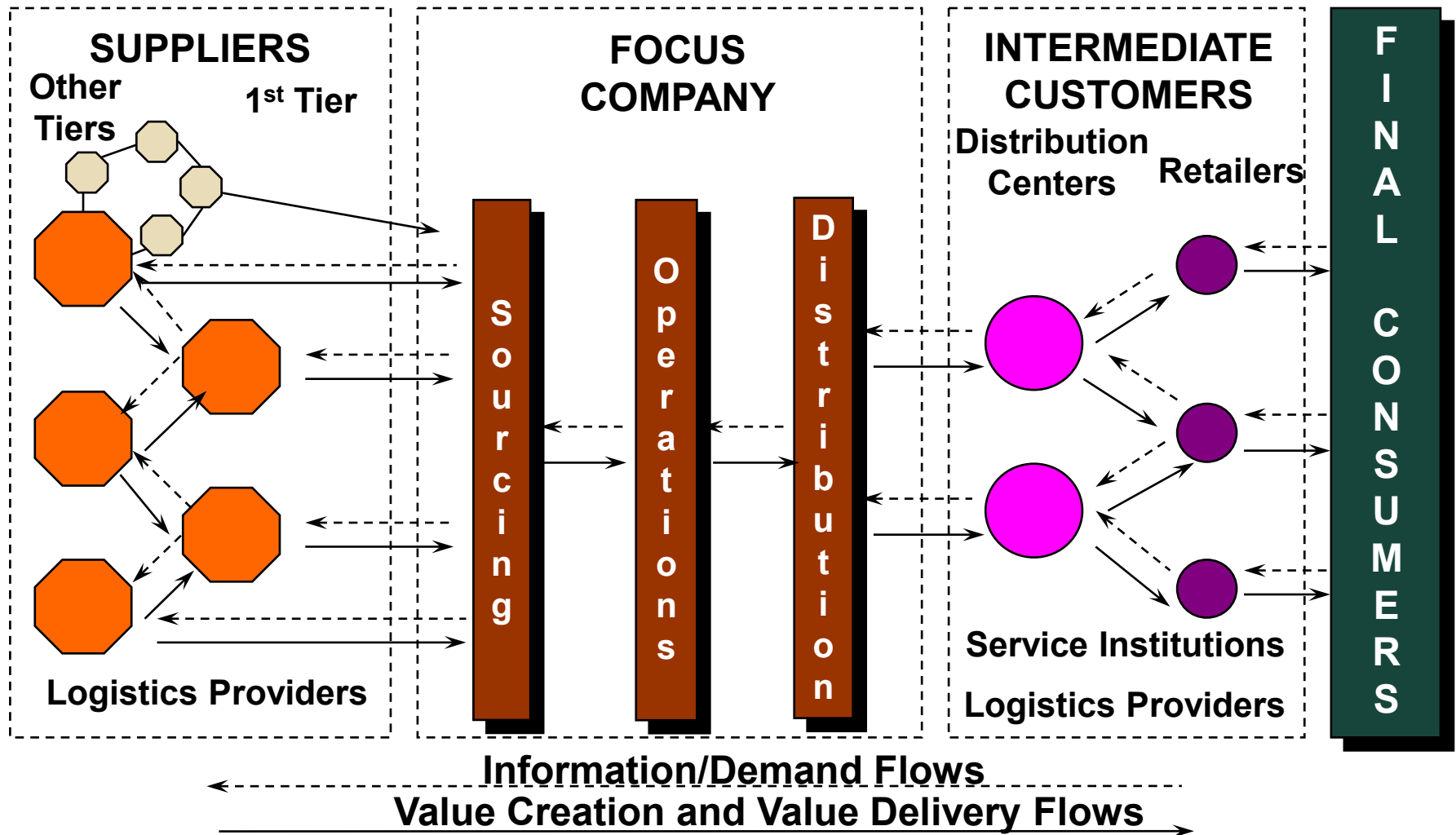
- Market/competitive demands are compressing lead times
- Businesses are reducing inventories and excess capacity
- Linkages between businesses in the value chain must therefore become much tighter





Integrated Value Chain Strategy

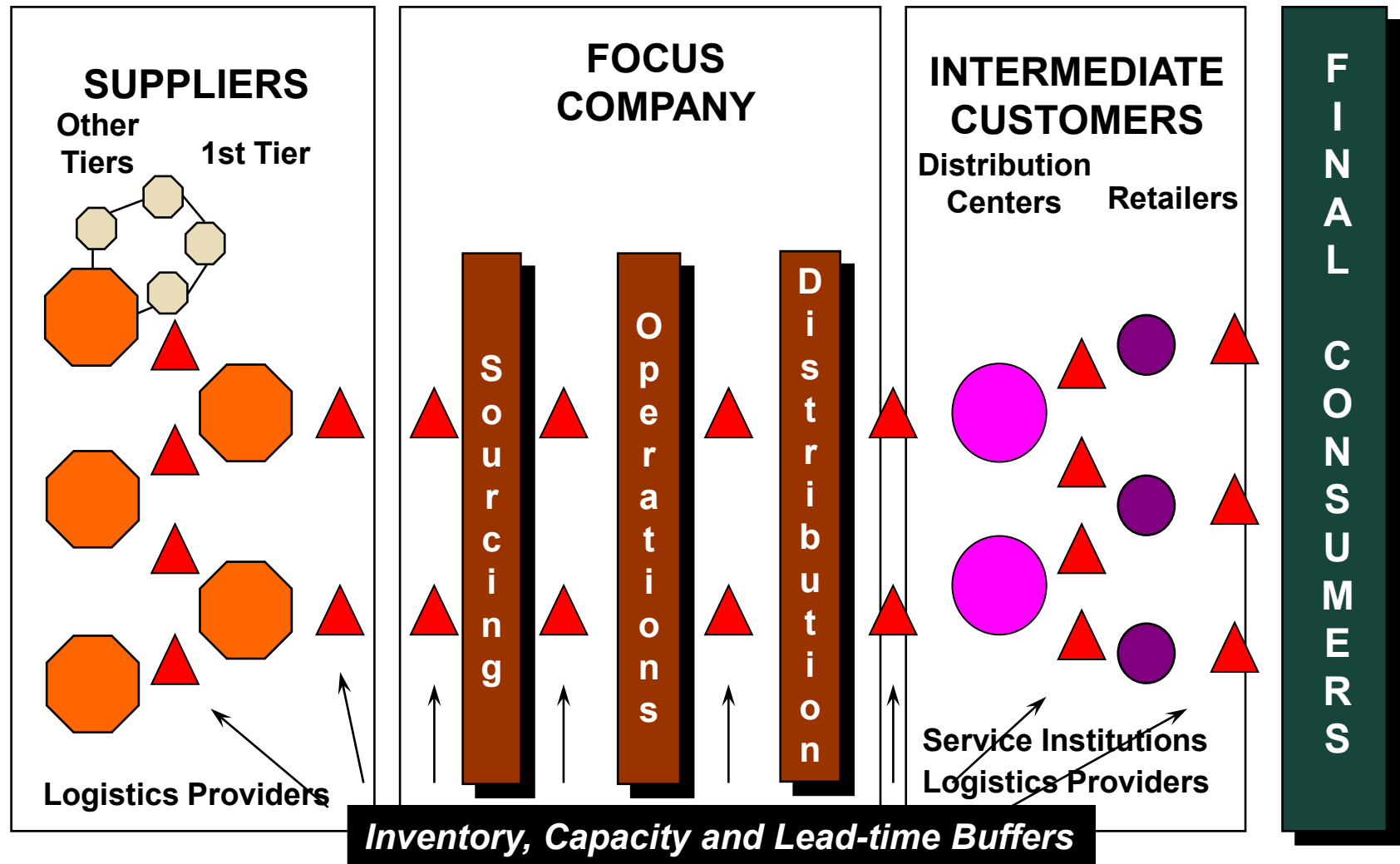
Traditional Value Chains





Integrated Value Chain Strategy

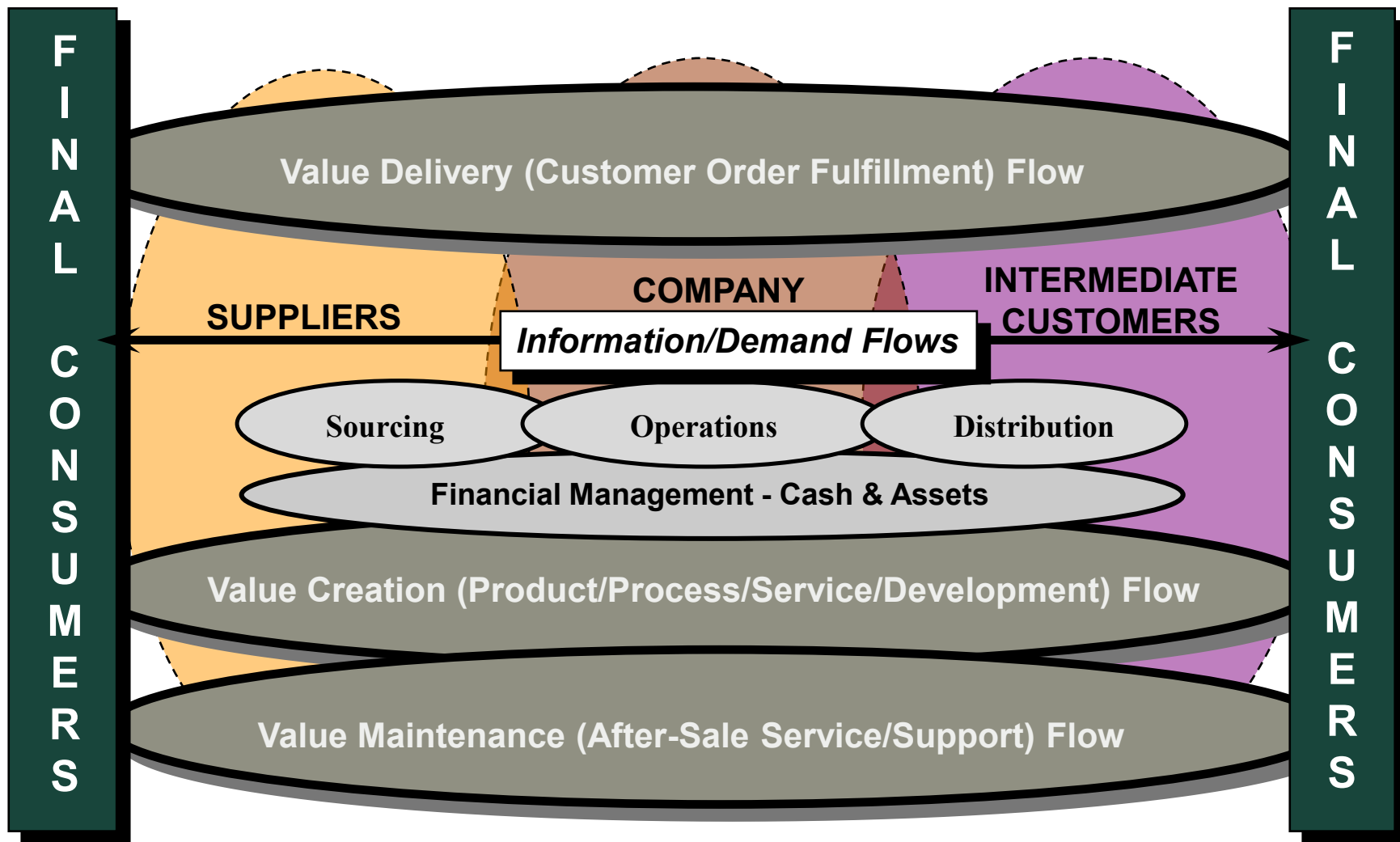
Traditional Value Chains





Integrated Value Chain Strategy

Integrated Value Chains

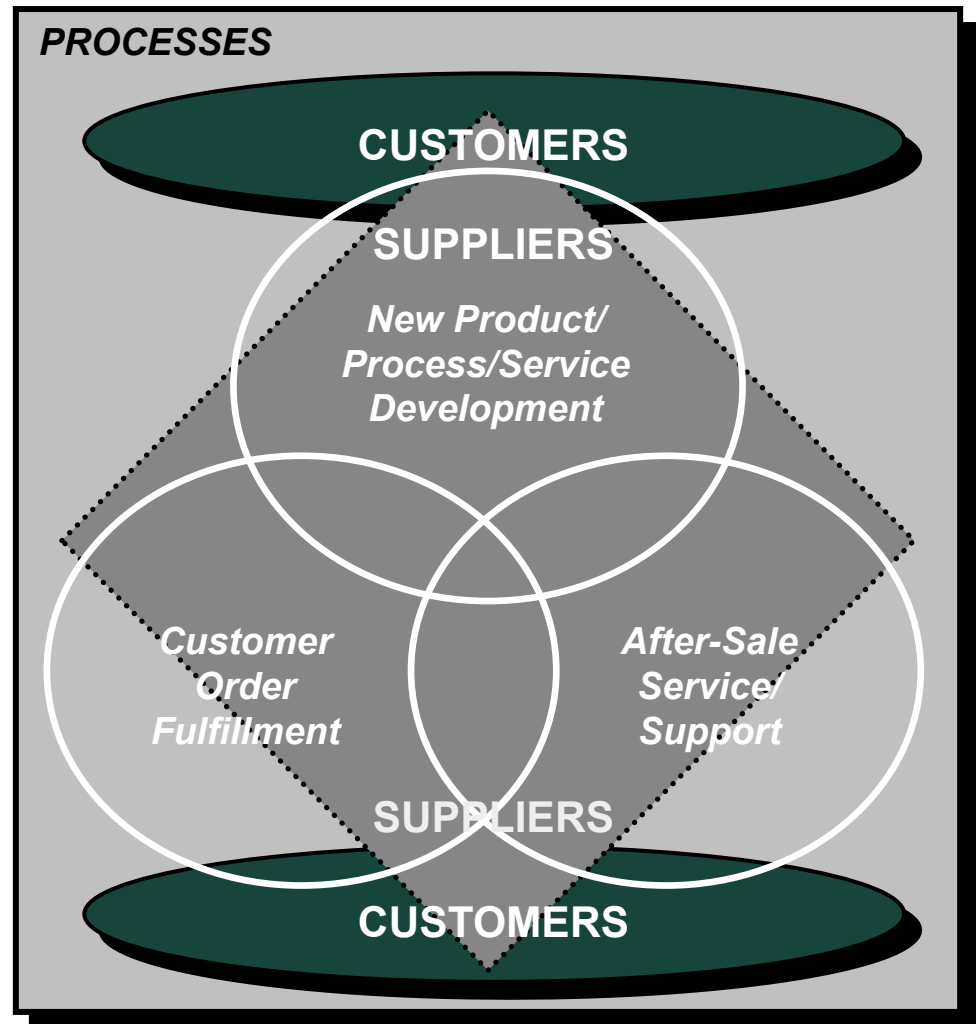




Integrated Value Chain Strategy

Integrated Value Chains

- Vision
 - Business Vision
 - Supply Chain Vision
- Enablers
 - Organization Structure
 - Culture and People
 - Information Systems/Technology
- Processes
 - New Product Development
 - Customer Order Fulfillment
 - After-Sale Service/Support
- Results



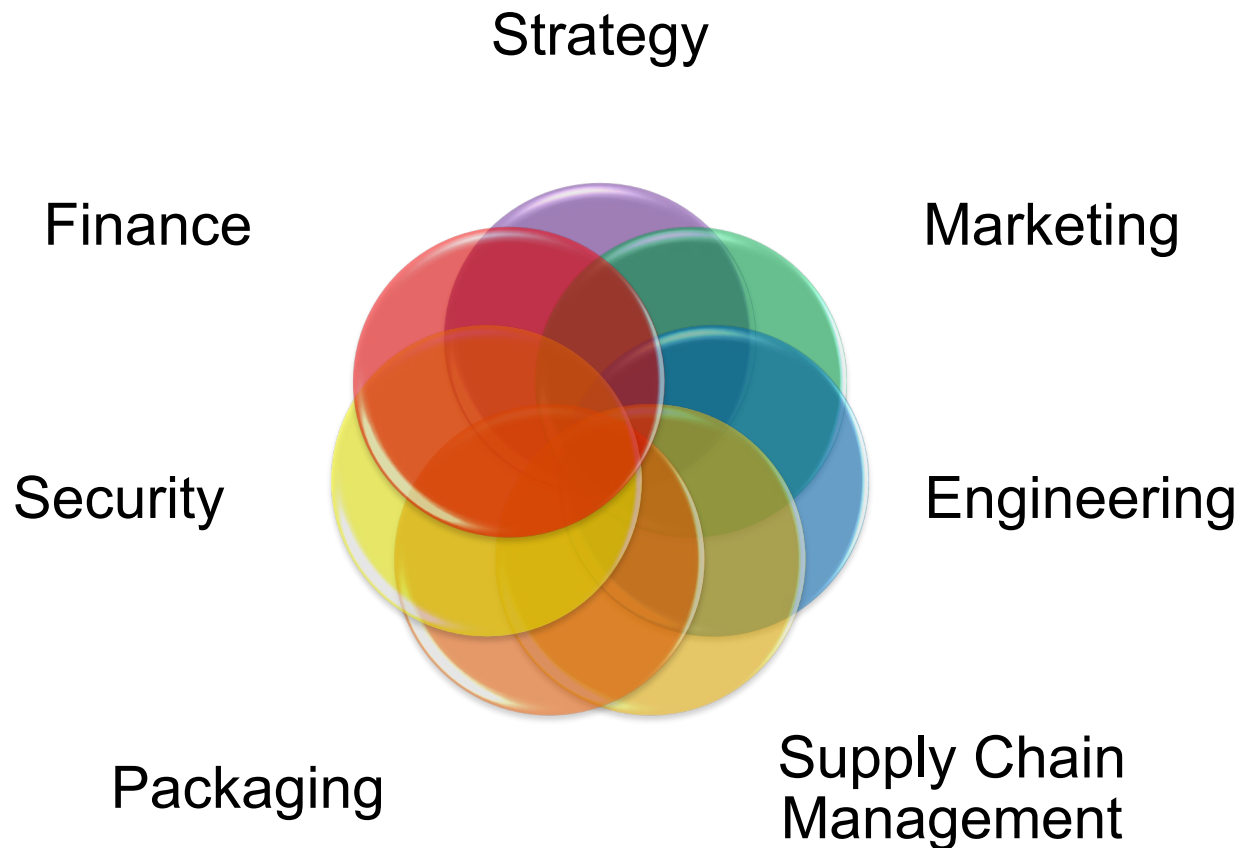


End-to-End Value Chain Processes

Process	Description
Demand Planning Responsiveness	The assessment of demand and strategic design to achieve maximum responsiveness to customer requirements.
Customer Relationship Collaboration	The development and administration of relationships with customers to facilitate strategic information sharing, joint planning, and integrated operations.
Order Fulfillment/Service Delivery	The ability to execute superior and sustainable order to delivery performance and related essential services.
Product/Service Development Launch	The participation in product service development and lean launch.
Manufacturing Customization	The support of manufacturing strategy and facilitation of postponement throughout the supply chain.
Supplier Relationship Collaboration	The development and administration of relationships with suppliers to facilitate strategic information sharing, joint planning, and integrated operations.
Life Cycle Support	The repair and support of products during their life cycle. Includes warranty, maintenance, and repair.
Reverse Logistics	The return and disposition of inventories in a cost effective, secure, and responsible manner.



New Realities of Value Chain Management





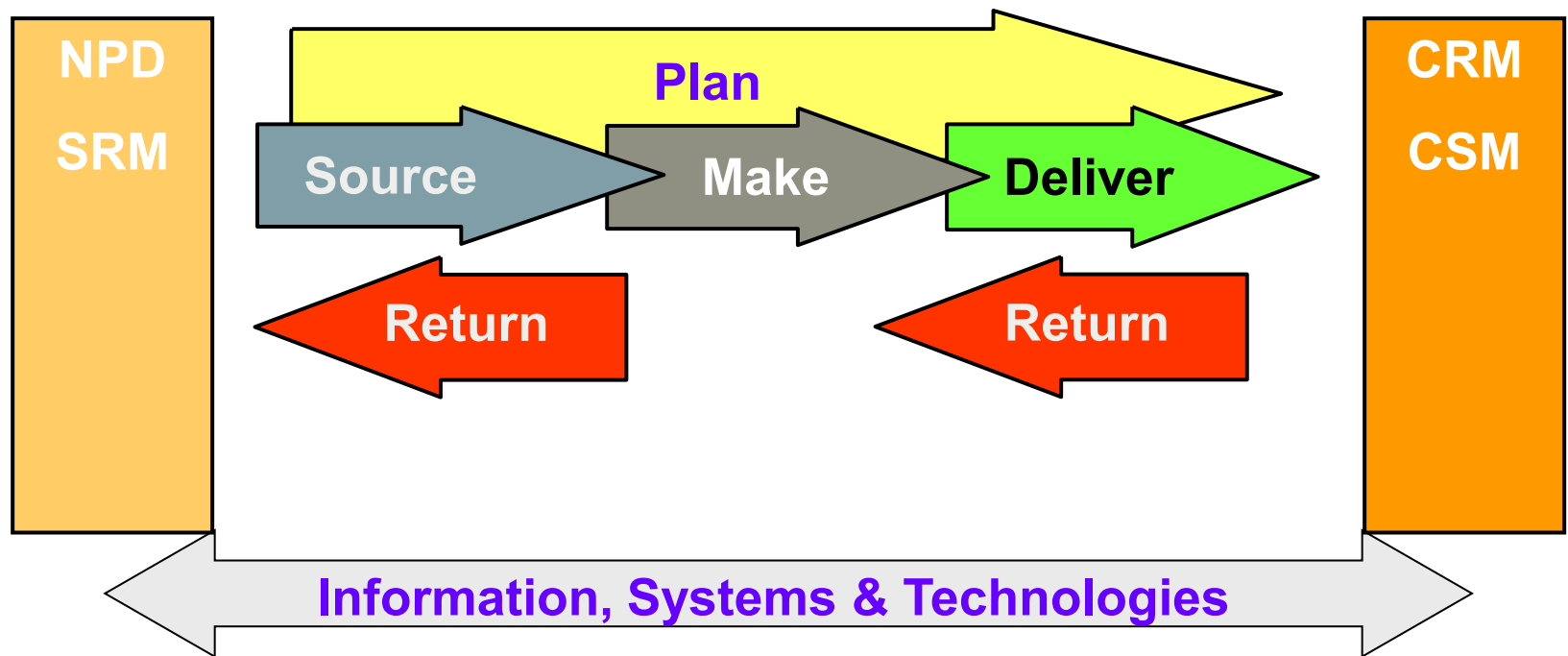
Value Chain Perspectives

- Process perspective
- Stages perspective
- Flows perspective
- Financial perspective
- Systems perspective
- Network perspective
- Performance cycle perspective



Process Perspective

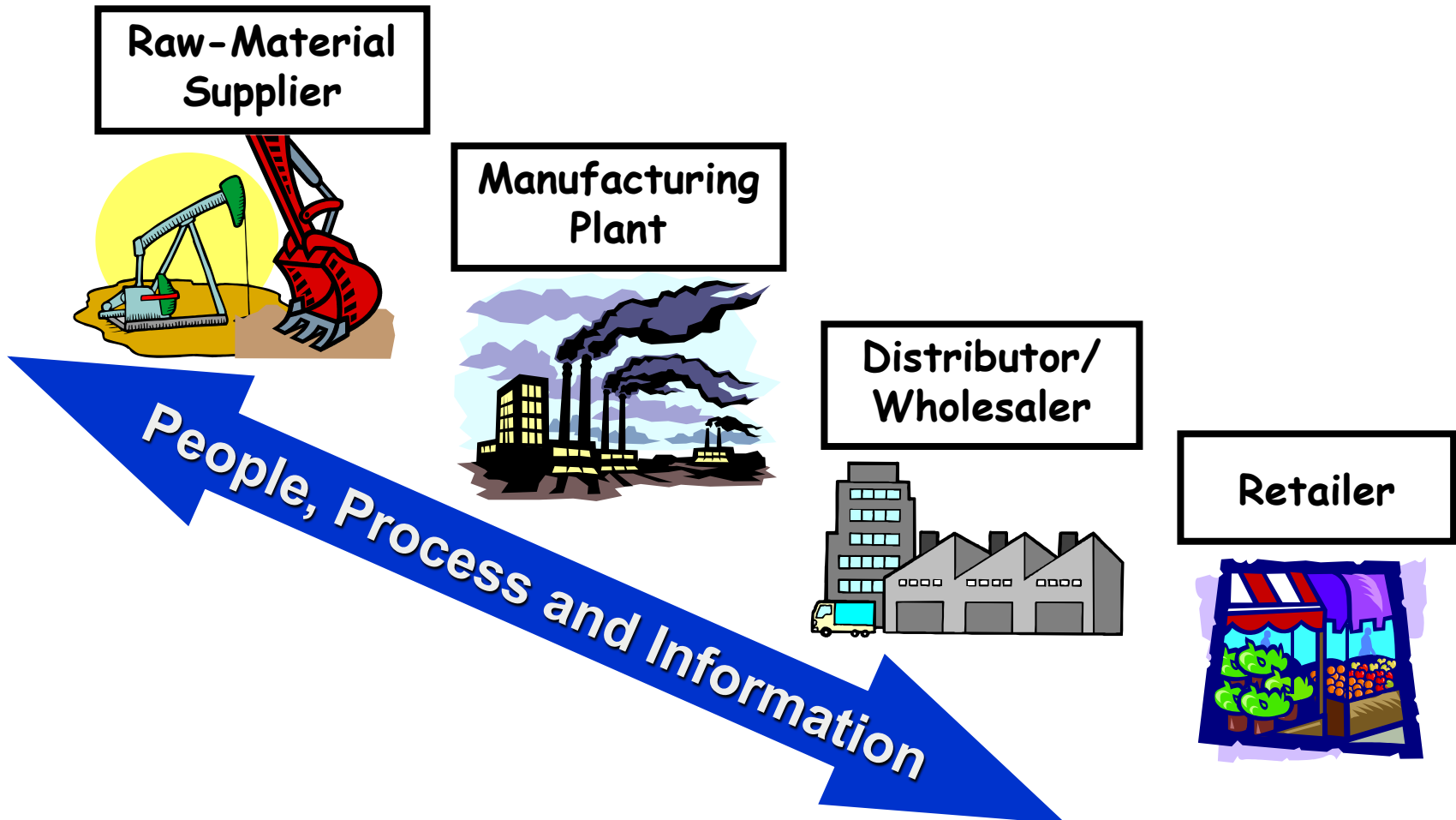
Core processes





Stages Perspective

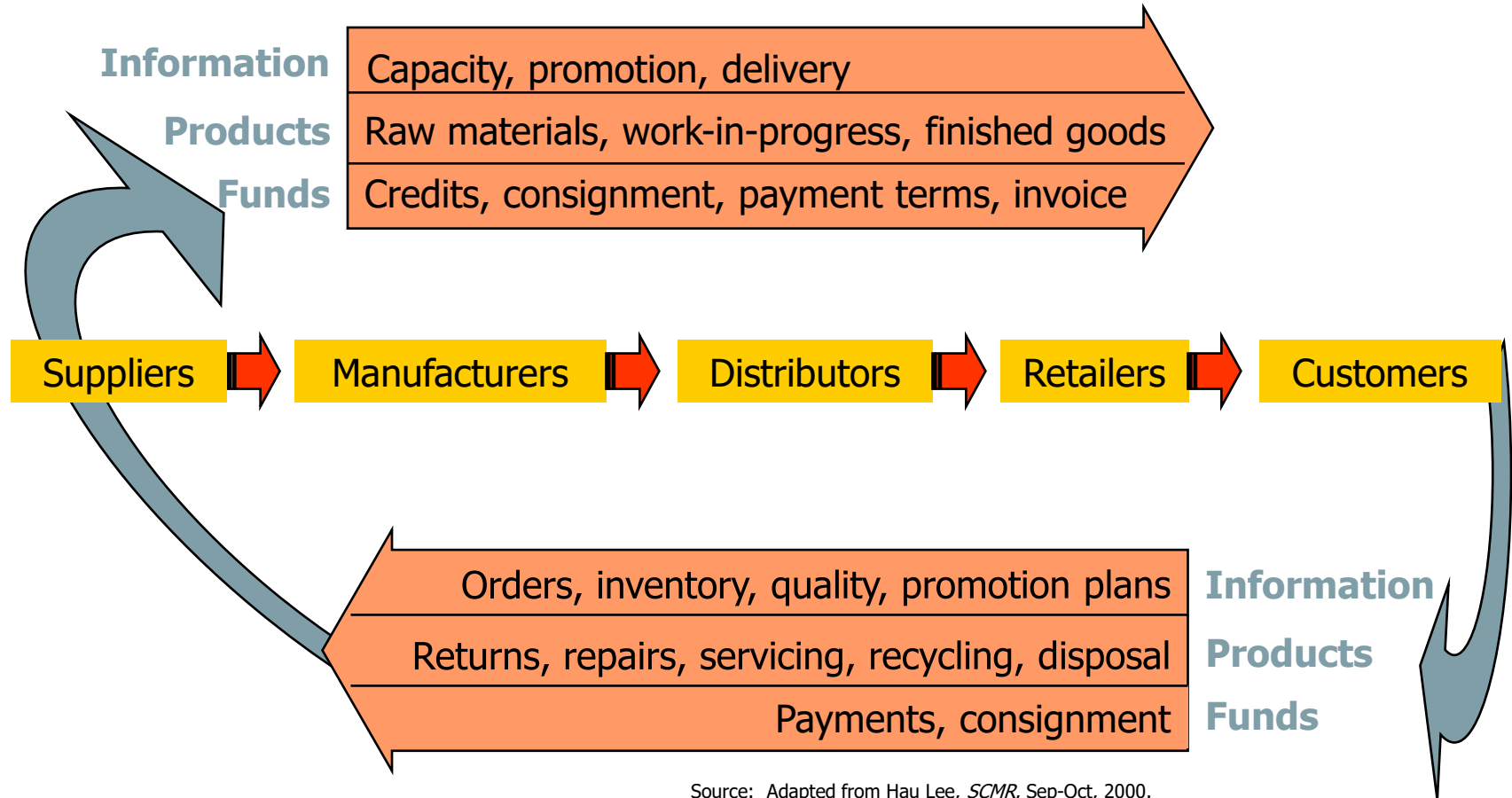
Stages of Supply, Production, and Distribution





Flows Perspective

Three Key Flows

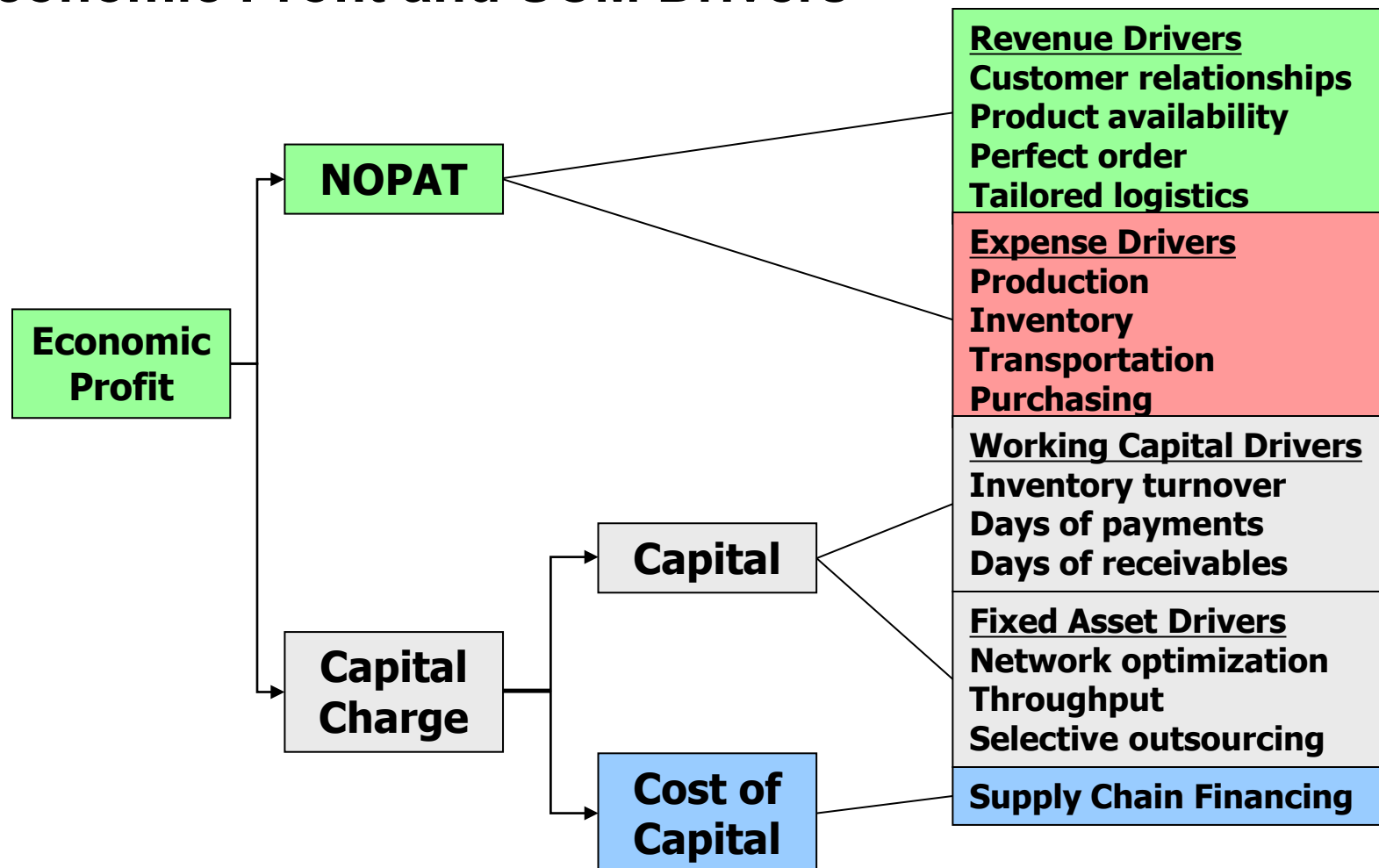


Source: Adapted from Hau Lee, *SCMR*, Sep-Oct, 2000.



Financial Perspective

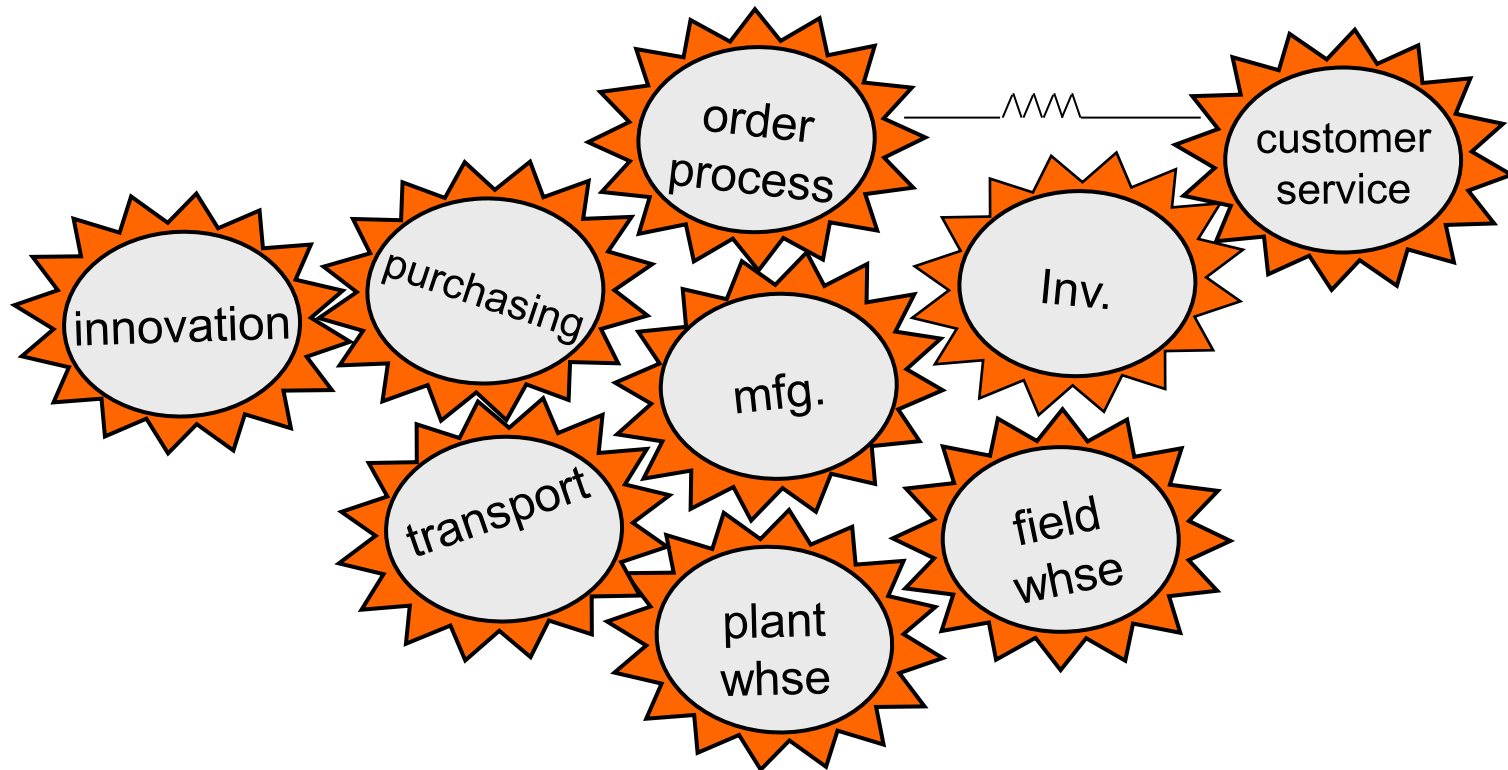
Economic Profit and SCM Drivers





Systems Perspective

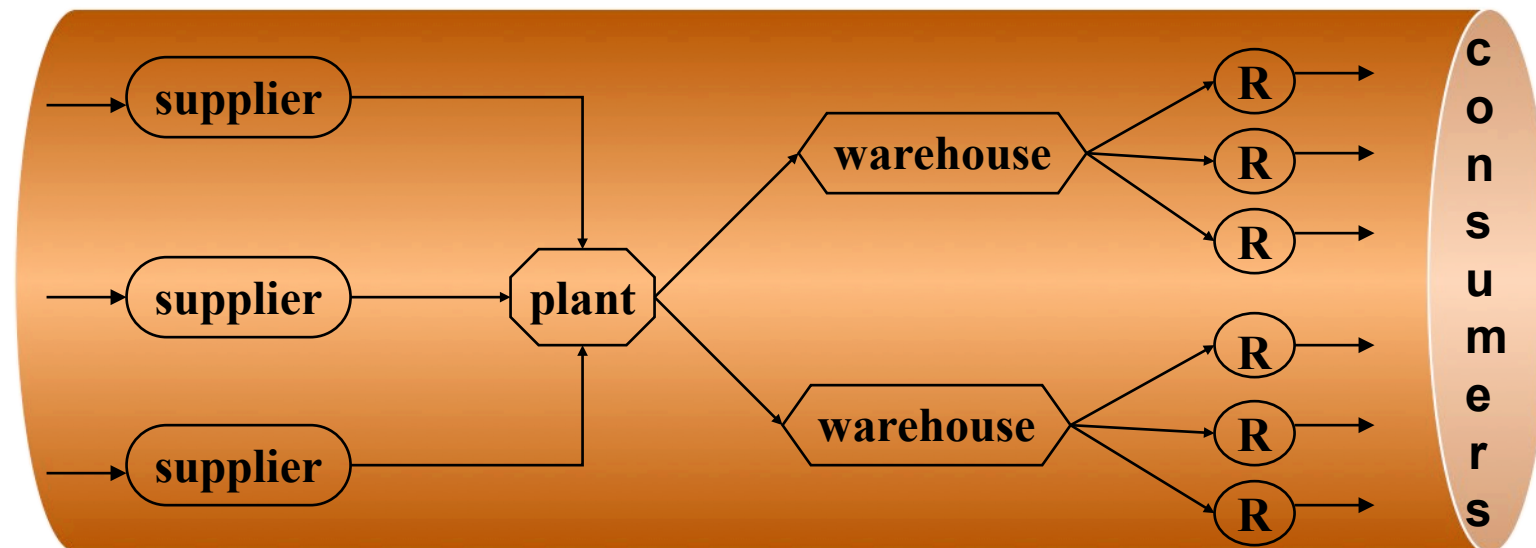
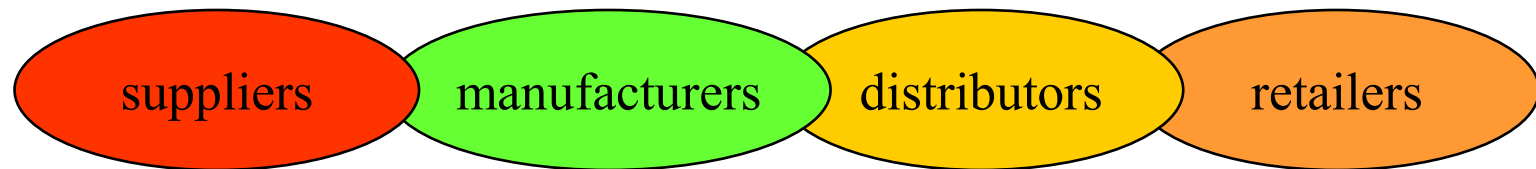
Value Chain Functions are Interrelated





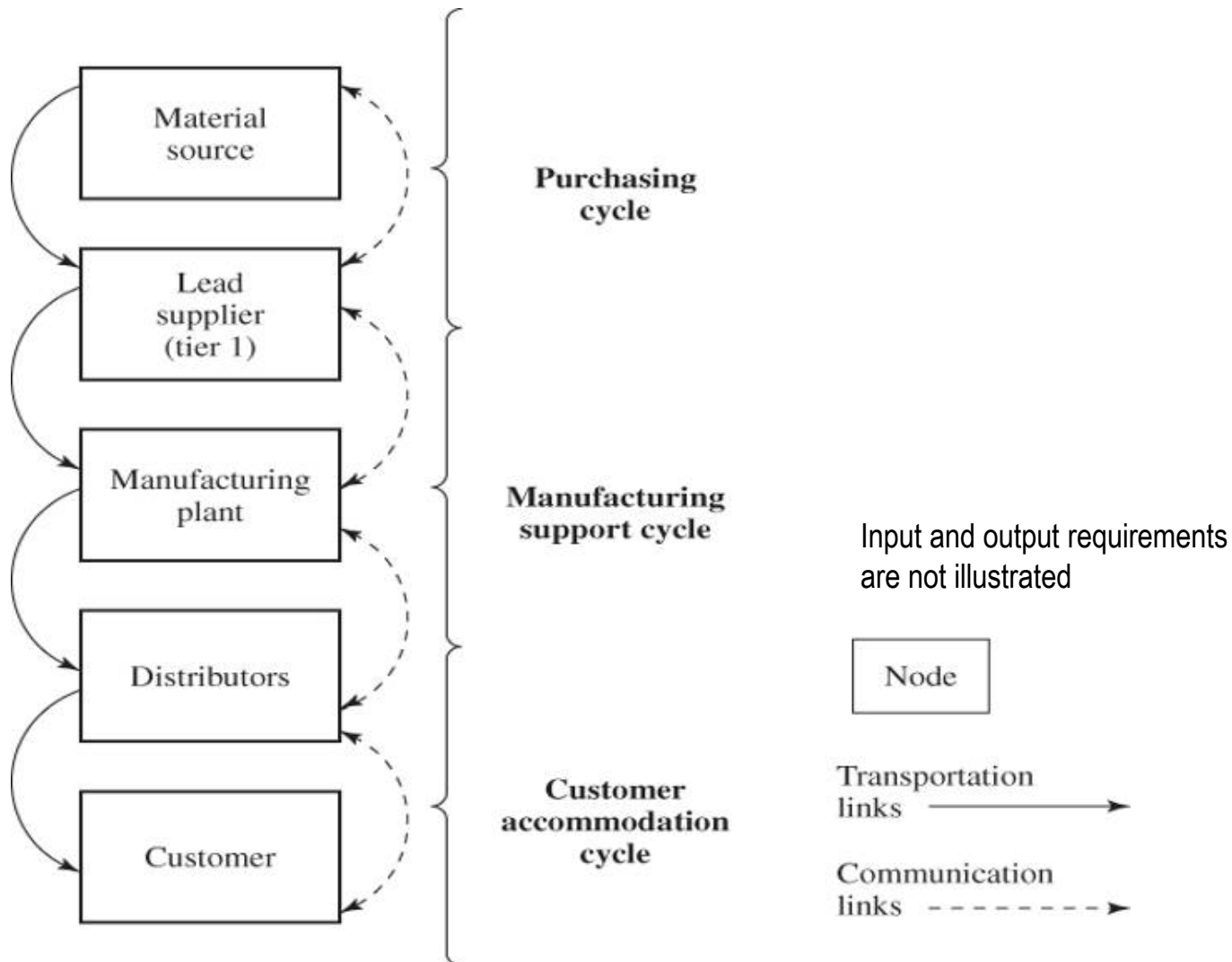
Network Perspective

Links and Nodes





Value Chain Performance Cycles





Value Chain Perspectives

- Process perspective
- Stages perspective
- Flows perspective
- Financial perspective
- Systems perspective
- Network perspective
- Performance cycle perspective

Which of these perspectives is best? Why?



Customer Value Proposition

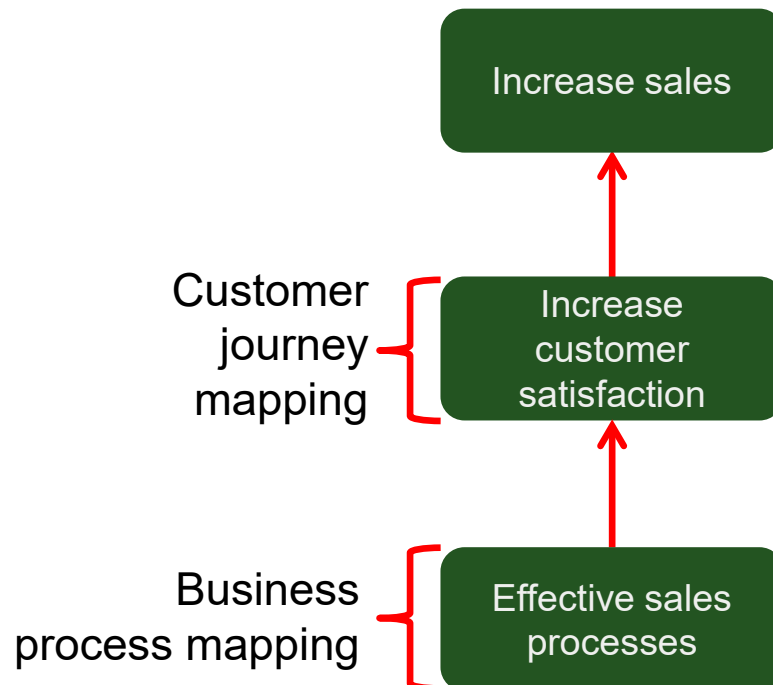
- *Value Proposition* is a statement summarizing the customer segment, competitors and the basic differentiation of one's products and services from the offerings of competitors.
- A value proposition should answer the question:

**“Why should a customer
buy *this* product or service?”**



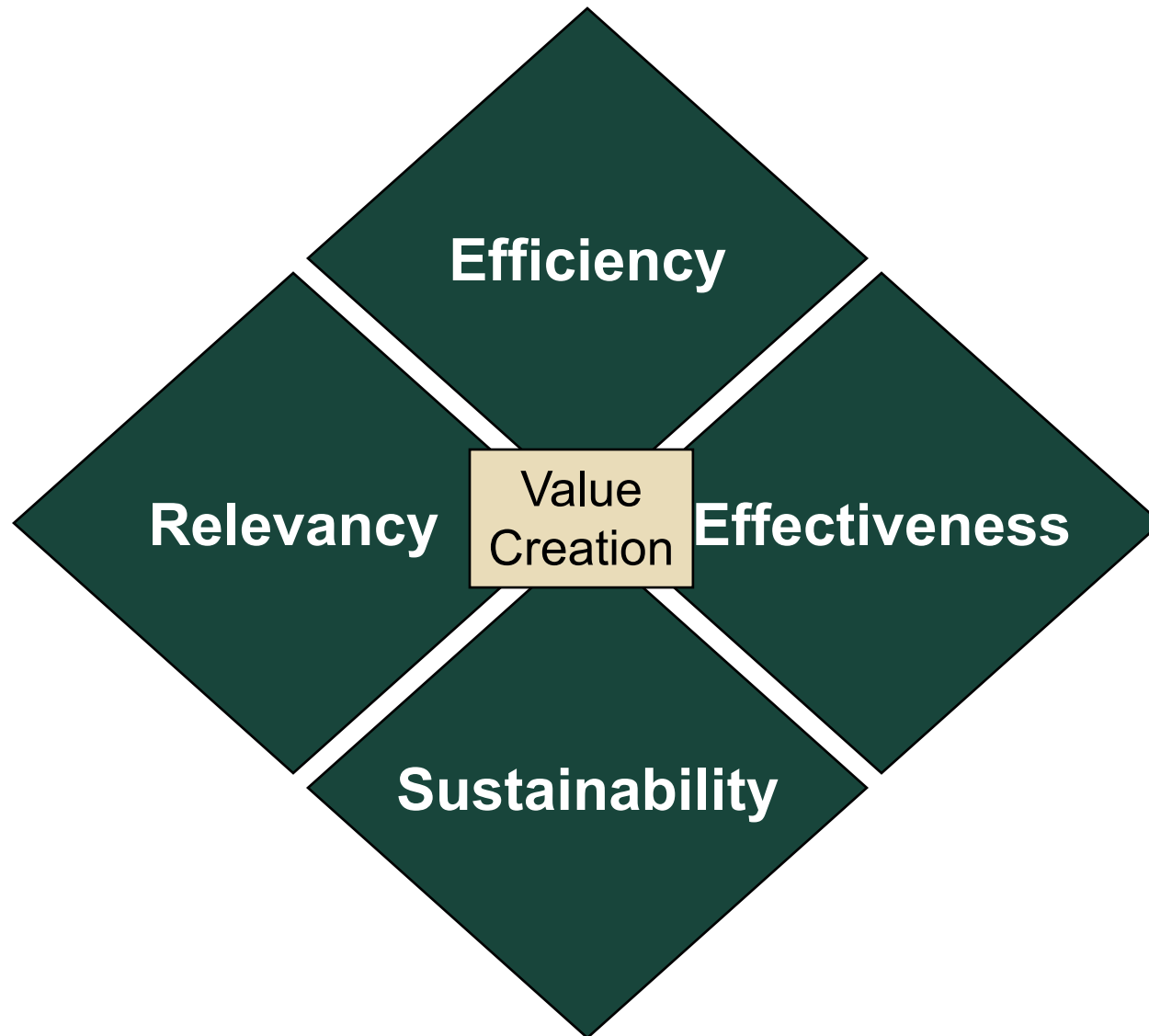
Customer Value Proposition

- Customer journey maps
 - The analysis of the customer buying process
- Business process maps
 - The analysis of business processes used to satisfy customers





Customer Value Proposition





Value Chain Principles

- Service segmentation
 - “One size does not fit all”
- Analytics
 - “Manage with data”
- Efficient versus responsive value chains
 - “Match processes with performance requirements”
- Operational consistency
 - “Variability destroys value chain performance and customer value”
- Risk management
 - “What is the risk appetite of the organization?”



Value Chain Overview

QUESTIONS