Strategic Business Unit Value Chains

- Value chain
 - A way of organizing the activities that each strategic business unit undertakes
- Primary activities
 - Design, produce, promote, market, deliver, and support the products or services it sells
- Supporting activities
 - Human resource management and purchasing

Value Chain for a Strategic Business Unit

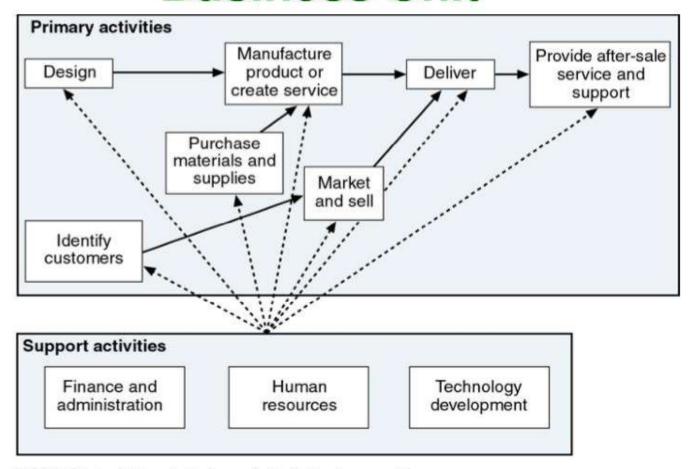


FIGURE 1-9 Value chain for a strategic business unit

Industry Value Chains

- Value system
 - Larger stream of activities into which a particular business unit's value chain is embedded
 - Also referred to as industry value chain

Industry Value Chain for a Wooden Chair

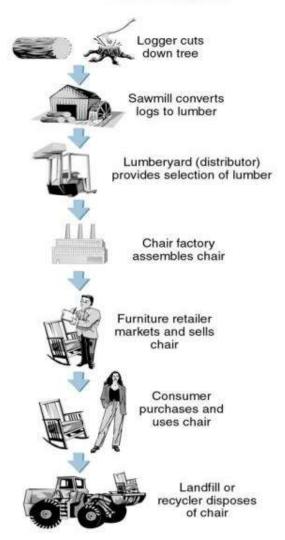


FIGURE 1-10 Industry value chain for a wooden chair

SWOT Analysis: Evaluating Business Unit Opportunities

SWOT analysis

- An analyst first looks into the business unit to identify its strengths and weaknesses
- The analyst then reviews the operating environment and identifies opportunities and threats

SWOT Analysis Questions

Strengths

- · What does the company do well?
- · Is the company strong in its market?
- Does the company have a strong sense of purpose and the culture to support that purpose?

Weaknesses

- · What does the company do poorly?
- What problems could be avoided?
- Does the company have serious financial liabilities?

Opportunities

- Are industry trends moving upward?
- Do new markets exist for the company's products/services?
- Are there new technologies that the company can exploit?

Threats

- · What are competitors doing well?
- What obstacles does the company face?
- Are there troubling changes in the company's business environment (technologies, laws, and regulations)?

FIGURE 1-11 SWOT analysis questions

Results of Dell's SWOT Analysis

Strengths

- · Sell directly to consumers
- Keep costs below competitors' costs

Weaknesses

 No strong relationships with computer retailers

Opportunities

- Consumer desire for one-stop shopping
- Consumers know what they want to buy
- Internet could be a powerful marketing tool

Threats

- Competitors have stronger brand names
- Competitors have strong relationships with computer retailers

FIGURE 1-12 Results of Dell's SWOT analysis