

VALUE CHAIN

ISH1B3 • ENTERPRISE SYSTEM



SATURDAY, 16 JANUARY 2016

TELKOM UNIVERSITY • SCHOOL OF INDUSTRIAL AND SYSTEM ENGINEERING • INFORMATION SYSTEM
ASTI AMALIA NUR FAJRILLAH • 2016

PREVIOUS WEEK REVIEW & QUIZ REVIEW

1. **What** is Enterprise System?
2. Explain the **evolution** of ERP!
3. What is the **role** of ERP in Business?
4. Mention both **benefit** and **limitation** of ERP!
5. What are the **vendor** that provide ERP?
6. Mention several **module** included in ERP and its function!



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OBJECTIVES

At the end of the class, you should:

- Able to understand basic theory of value chain
- Able to provide example of value chain within an organization

References:

- Porter, Michael. E. Competitive Advantage: Creating and sustaining superior performance, NY: Free Press (1998)



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VALUE CHAIN

- Every firm is a collection of **activities (processes)** that are performed to design, produce, market, deliver, and support its product. All these activities can be represented using a value chain.
- A value chain is a **series of activities or processes** which aims at creating and **adding value** to an article (**product**) at every step during the production process.
- **Each value activity** also uses and **creates information**.



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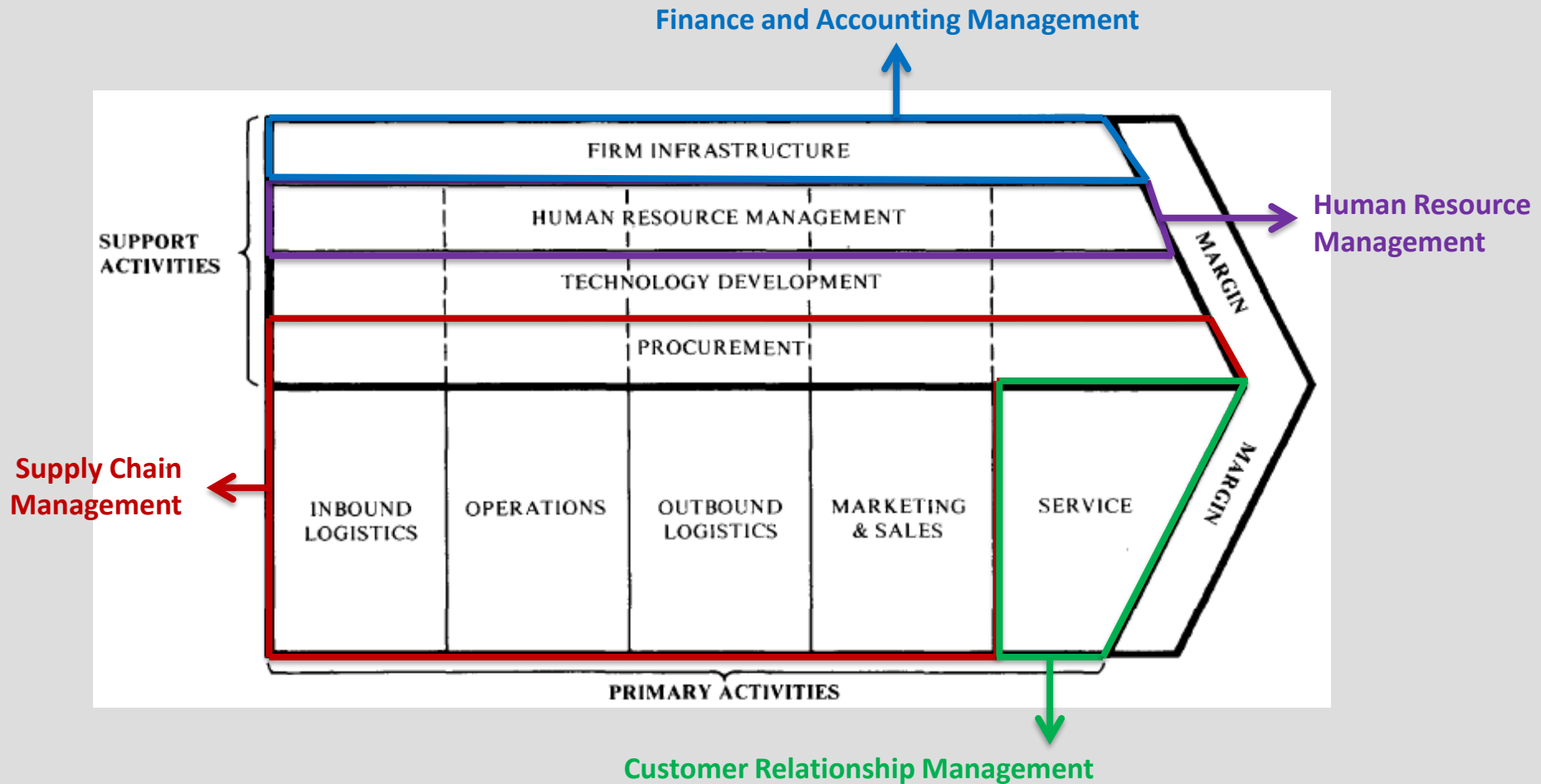
VALUE CHAIN

- Value activities can be divided into two broad types, **primary** activities and **support** activities.
- Primary activities are the activities involved in the physical creation of the product and its sale and transfer to the buyer as well as after sale assistance.
- Primary activities can be divided into the five generic categories: Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, and Services.
- Support activities support the primary activities and each other by providing purchased inputs (procurement), technology, human resources, and various firm wide functions such as finance and accounting.



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- Inbound Logistics.

Activities associated with **receiving, storing, and disseminating inputs** to the product, such as material handling, warehousing, inventory control, vehicle scheduling, and returns to suppliers.

- Operations.

Activities associated with **transforming inputs into the final product form**, such as machining, packaging, assembly, equipment maintenance, testing, printing, and facility operations.



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- Outbound Logistics.

Activities associated with **collecting, storing, and physically distributing the product to buyers**, such as finished goods warehousing, material handling, delivery vehicle operation, order processing, and scheduling.

- Marketing and Sales.

Activities associated with providing a means by which buyers can purchase the product and inducing them to do so, such as advertising, promotion, sales force, quotation, channel selection, channel relations, and pricing.



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- Service.

Activities associated with providing service to **enhance or maintain the value of the product**, such as installation, repair, parts supply, and product adjustment.



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- Procurement.

Procurement refers to the **function of purchasing inputs** used in the firm's value chain, not to the purchased inputs themselves. Purchased inputs include raw materials, suppliers, and other consumable items as well as assets such as machinery, laboratory equipment, office equipment, and buildings.

- Technology Development.

Technology development consists of a range of **activities to improve the product and the process**.



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- Human Resource Management.

It consist of activities involved in **recruiting, hiring, training, development, and compensation** of all types of personnel.

- Firm Infrastructure.

Firm infrastructure consists of a number of activities including general management, planning, **finance, accounting**, legal, government affairs, and quality management.



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EXAMPLE:



Financing, Legal Support, Accounting

Finance and Accounting

Recruiting, Training, Incentives, Feedback

Human Resources

Wifi Availability, Technology in Processes, Launch Mobile Apps for Customer satisfaction, Online Order

Information Technology

Procuring the raw material (Coffee Bean) for the final product: Where and How

Procurement

Inbound Logistics:
selection of coffee bean – distribute roasted coffee bean to each Starbucks store

Operations:
making coffee drink, billing and collection

Outbound Logistics:
Delivering the product

Marketing and Sales:
Promotions and Advertising, Own Store

Service:
Customer satisfaction and feedback



Link:

<https://www.youtube.com/watch?v=XfDZGXibvCA>

FRIDAY, 22 JANUARY 2016



PLEASE PROVIDE ANOTHER EXAMPLE!

