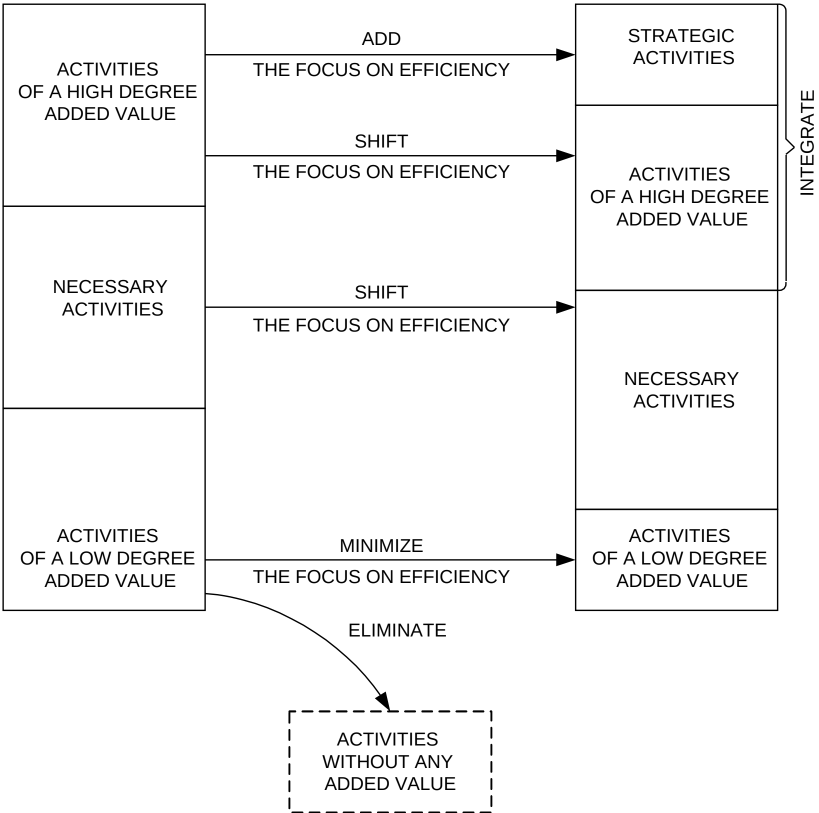

Figure 5.9 Activity analysis.

Source: Adapted from Johnson and Scholes (1999:36).

do best – outsource the rest. To get results, a cost benefit analysis needs to be carried out (Figure 5.9).

The comparison between the company costs and the cost of external suppliers should be the criteria for selection (Voss and Chalupsky, 1996). That is the essence and the aim of value chain activities analysis. A decision made on that basis offers the opportunity for a company to focus its attention on conducting strategically important activities.

Competitors analysis from the company perspective

A quality value chain activity analysis requires the comparison of a corporation value chain with the value chain of its competitors. This comparison can be done at different levels of value chain disaggregation, but the best one in practice is the one carried out at the core business level (Figure 5.10). The best way to evaluate the internal factors and value

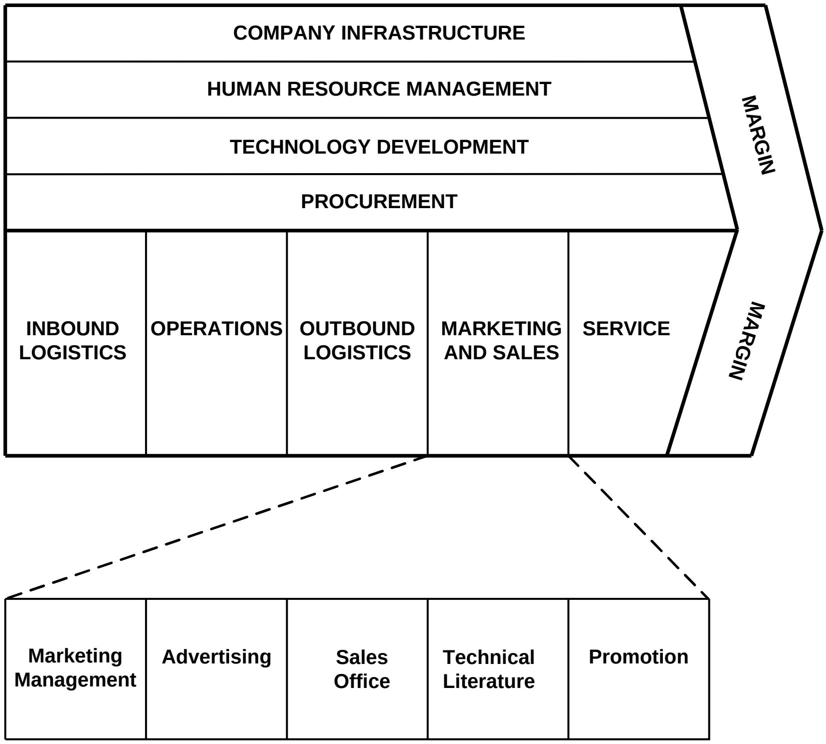

Figure 5.10 Disaggregation of value chain activities.

Source: Adapted from Porter (1985:46).

activities during that process is by using competitive benchmarking which represents a comparison with the best practice. In the end, it should be noted that the benefit of a value chain analysis is the identification of the activities in the total business process which have their share of influence on the level of costs, quality, image and similar features in the final product. Such identification is the foundation for following at least one of the business strategies (sometimes even following both simultaneously) – the strategy of cost leadership or the strategy of differentiation.

Competitive benchmarking is a word used in the sense of comparison. It is actually a buzzword. The root of the word is benchmark, meaning a standard or a reference point. According to the definition of the *American Productivity and Quality Center* – APQC, *competitive benchmarking is a systematic and continuous process of measuring profitability and comparing the followers with the leader, irrespective of his position, to receive information on profitability increasement*. Actually, it is a series of successive observations and reflections which should lead to the identification and application of the so called best practice (Đuričin et al., 2015).

According to Michael Porter (1999), each industry has both leaders and followers. The companies which are the first to enter the market are called pioneers. Companies which are the first to develop a new technology are called technological pioneers. Companies which are the first to discover new markets are called market pioneers. Both types of corporations are called first movers. Competitive advantage achieved on the basis of the new entrance is called first mover advantage. Companies that enter the market after the pioneers are called followers. Companies that enter the market earlier are called early followers. Companies that enter the market later are called late entrants. Both types of companies are called late movers. Competitive advantage achieved based on later market entrance is called later-mover disadvantages.

The selection of follower or leader strategy must be a part of consistent decision making: Planning component (decision making) and action component (decision implementation). Followers can attack the leader, but first they have to evaluate whom to attach and how. In this sense, depending on personal capabilities and the positioning of competitors, it is possible to attack the market leader led by the idea of a better way to serve the market. Such an action requires a comparison with the competitor to evaluate personal possibilities and the positioning of the competitor.

Competitive benchmarking is possible if there is a high degree of comparability between the leader and followers in an industry. Competitive benchmarking can be beneficial both for the leader and the follower due to its impartial positioning. Competitive benchmarking advantage of direct competitors is conditioned by the possibility of establishing different forms of communication among them.

However, competitive benchmarking disadvantage is conditioned by the possibility of penetration in the same market among them. In the first variant, it is a case of a mild intern discussion due to the perception that the company is *playing with a friend*, whereas in the second variant, it is a case of a heated intern discussion due to the perception that the company is *playing with an enemy*.

Competitive benchmarking is conducted one step at a time until the key success factors relevant for the follower when comparing to the leader are reached. That way, a thorough analysis has been carried out following the principle that the devil lays in the details. Figure 5.11 illustrates the cost analysis of an activity for three competitors.

Company B has notably lower costs than the other two companies owing to the advantage of low cost activity conduction. It is a signal to annul the personal costs of the activity. Devastating technologies vastly undermine the company value chain making it more flexible and unstable which is reflected in the value system in terms of a significant decrease of profitability. The externalisation of the business process leads to the decrease of internalisation which in turn reconfigures the existing value chain which receives a completely new form.