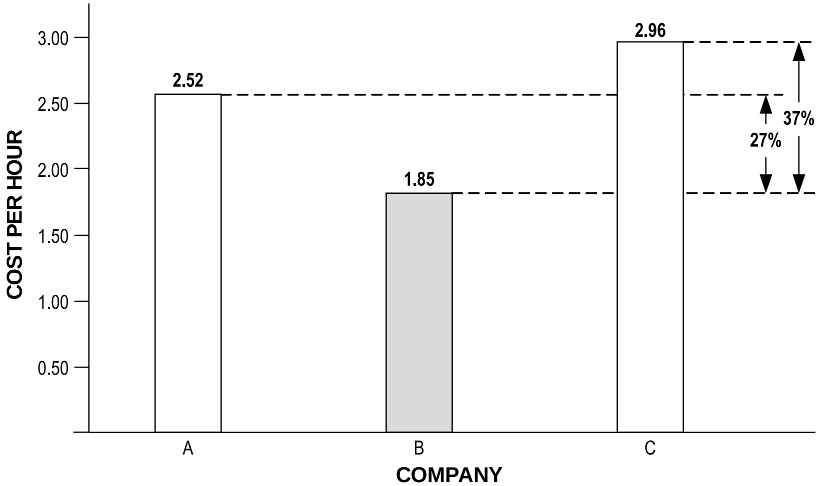

Figure 5.11 Cost comparison of one activity.

Source: Adapted from Karlof and Ostblom (1995:61).

What is the degree of influence of Internet technology on value chain activities in terms of cost drivers and uniqueness, in a way that the profit is increased or decreased which is reflected on the erosion of competitive advantage?

Analyse a company value chain based on business operation data by classifying activities into primary and supporting ones and assign each activity with cost drivers and differentiation drivers which serve as tools for competitive advantage.

Notes

1 Being a socioeconomic phenomenon, a company is oriented towards stakeholders. Depending on the character of the correlation, stakeholders are classified into (1) insiders – all the people, individuals or groups inside the company who can be influenced by the corporation and the company can adapt their behaviour to its benefit. Insiders include owners, managers and employees; (2) outsiders – all the organisations, individuals or groups outside the company who cannot be influenced by the company, and the company adapts its behaviour to them. Outsiders include customers, suppliers, government, unions and the community.
2 In its shortest form, the mission can be defined as the reason for the existence of the company. It answers the following question: Where are we now?
3 In its shortest form, the vision is defined as an attitude on the desired future of the company. It answers the question: Where do we want to be?
4 In its shortest form, the goals are defined as the results which a company wants to reach. They answer the following question: How will we get there?
5 The older approach was developed by the famous consulting agency McKinsey&Co. This relatively simple model suggests the inclusion of the following six distinctive and mutually conditioned activities in creating companyvalues: (1) Technological development, (2) production design, (3) production, (4) marketing, (5) distribution